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# Auditor General

## Independent auditor's report



### Auditor General

#### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

#### DEPARTMENT OF WATER AND ENVIRONMENTAL REGULATION

#### Report on the Financial Statements

##### **Opinion**

I have audited the financial statements of the Department of Water and Environmental Regulation which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Water and Environmental Regulation for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

##### **Basis for Opinion**

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Responsibility of the Director General for the Financial Statements**

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director General is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Department.

##### **Auditor's Responsibility for the Audit of the Financial Statements**

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director General.
- Conclude on the appropriateness of the Director General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Director General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### Report on Controls

##### **Qualified Opinion**

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Water and Environmental Regulation. The controls exercised by the Department are those policies and procedures established by the Director General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, except for the possible effect of the matter described in the Basis for Qualified Opinion section of my report, the controls exercised by the Department of Water and Environmental Regulation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2018.

##### **Basis for Qualified Opinion**

We identified significant weaknesses in general computer controls implemented by the Department of Water and Environmental Regulation. These weaknesses could result in inappropriate and unauthorised access to the Department's financial system. We were unable to assess if users' system access was consistent with delegations or with their duties. The access could be used to override management controls that prevent fictitious or fraudulent transactions and could undermine the integrity of data used to prepare the financial statements.

Despite these controls deficiencies, my audit testing did not detect any inappropriate or fraudulent transactions.

##### **The Director General's Responsibilities**

The Director General is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

##### **Auditor General's Responsibilities**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Limitations of Controls**

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.



## Report on the Key Performance Indicators

### Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Water and Environmental Regulation for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Water and Environmental Regulation are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2018.

### The Director General's Responsibility for the Key Performance Indicators

The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Director General determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Director General is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

### Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Department of Water and Environmental Regulation for the year ended 30 June 2018 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia

27 August 2018





# Financial statements

## Certification of financial statements

### For the reporting period ended 30 June 2018

The accompanying financial statements of the Department of Water and Environmental Regulation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2018 and the financial position as at 30 June 2018.

At the date of signing, I am not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.

Wayne Millen  
Chief Finance Officer

27 August 2018

Mike Rowe  
Director General

27 August 2018

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# Statement of comprehensive income

## For the year ended 30 June 2018

	Note	2018 (\$'000)
<b>Cost of services</b>		
<b>Expenses</b>		
Employee benefits expense	3.1	97 876
Supplies and services	3.3	31 689
Depreciation and amortisation expense	5.1.1,5.2.1	10 380
Accommodation expenses	3.3	9 695
Grants and subsidies	3.2	18 463
Other expenses	3.3	4 724
Loss on disposal of non-current assets	3.4	582
<b>Total cost of services</b>		<b>173 409</b>
<b>Income</b>		
<b>Revenue</b>		
User charges and fees	4.2	25 029
Commonwealth grants and contributions	4.3	2 467
Waste levy	4.5,9.6	75 509
Interest revenue		735
Other revenue	4.6	17 244
<b>Total Revenue</b>		<b>120 984</b>
<b>Gains</b>		
Gain on disposal of non-current assets	4.4	2
<b>Total Gains</b>		<b>2</b>
<b>Total income other than income from state government</b>		<b>120 986</b>
<b>Net cost of services</b>		<b>52 423</b>

	Note	2018 (\$'000)
<b>Income from state government</b>		
Service appropriation	4.1	92 892
State Grants	4.1	3 835
Resources received free of charge	4.1	1 708
Royalties for Regions Fund	4.1	8 287
<b>Total Income from state government</b>		<b>106 722</b>
<b>Surplus for the period</b>		<b>54 300</b>
<b>Total comprehensive income for the period</b>		<b>54 300</b>

See also the 'Schedule of income and expenses by service'.

The Statement of comprehensive income should be read in conjunction with the accompanying notes.



## Statement of financial position

### For the year ended 30 June 2018

	Note	2018 (\$'000)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	7.1	5 512
Restricted cash and cash equivalents	7.1	63 985
Receivables	6.1	30 457
Amounts receivable for services	6.2	6 307
Other current assets	6.3	1 598
<b>Total current assets</b>		<b>107 859</b>
<b>Non-current assets</b>		
Restricted cash and cash equivalents	7.1	633
Amounts receivable for services	6.2	30 965
Infrastructure property plant and equipment	5.1	337 523
Intangibles	5.2	24 866
<b>Total non-current assets</b>		<b>393 987</b>
<b>Total assets</b>		<b>501 846</b>

	Note	2018 (\$'000)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables	6.4	7 559
Employee related provisions	3.1	19 836
Other current liabilities	6.5	354
<b>Total current liabilities</b>		<b>27 749</b>
<b>Non-current liabilities</b>		
Employee related provisions	3.1	5 073
Other non-current liabilities	6.4	1 658
<b>Total non-current liabilities</b>		<b>6 731</b>
<b>Total liabilities</b>		<b>34 480</b>
<b>Net assets</b>		<b>467 366</b>
<b>Equity</b>		
Contributed equity	9.10	411 761
Reserves	9.10	1 305
Accumulated surplus		54 300
<b>Total equity</b>		<b>467 366</b>

See also the 'Schedule of assets and liabilities by service'.

The Statement of financial position should be read in conjunction with the accompanying notes.



## Statement of changes in equity

### For the year ended 30 June 2018

	Note	Contributed Equity (\$'000)	Reserves (\$'000)	Accumulated surplus (\$'000)	Total Equity (\$'000)
<b>Balance at 1 July 2017</b>		-	-	-	-
Revaluation surplus		-	1 305	-	1 305
<b>Total comprehensive income for the period</b>		-	-	<b>54 300</b>	<b>54 300</b>
Transactions with owners in their capacity as owners:	9.10	-	-	-	-
<i>Capital appropriations</i>	9.10	10 264	-	-	10 264
<i>Net assets transferred from the former agencies</i>	9.10(a)	465 227	-	-	465 227
Distribution to owners	9.10	(63 730)	-	-	(63 730)
<b>Total</b>		<b>411 761</b>	<b>1 305</b>	<b>54 300</b>	<b>467 366</b>
<b>Balance at 30 June 2018</b>		<b>411 761</b>	<b>1 305</b>	<b>54 300</b>	<b>467 366</b>

The Statement of changes in equity should be read in conjunction with the accompanying notes.



## Statement of cash flows

### For the year ended 30 June 2018

	Note	2018 (\$'000)
<b>Cash flows from state government</b>		
Service appropriation		77 120
Cash transferred from the former agencies	9.10(a)	88 529
Capital contributions		10 264
Holding account drawdown		7 354
Distributions to owner		(63 443)
Net proceeds on sale of land remitted to consolidated account		(287)
Royalties for Regions Fund		8 287
State grants		3 835
<b>Net cash provided by state government</b>		<b>131 659</b>
Utilised as follows:		
<b>Cash flows from operating activities</b>		
<b>Payments</b>		
Employee benefits		(99 214)
Supplies and services		(28 039)
Accommodation		(9 699)
Grants and subsidies		(11 688)
GST payments on purchases		(8 601)
Other payments		(3 986)
<b>Receipts</b>		
User charges and fees		24 675
Commonwealth grants and contributions		2 302
Interest received		530
Waste levy		73 971
GST receipts on sales		909
GST receipts from taxation authority		6 451
Other receipts		6 282
<b>Net cash used in operating activities</b>	<b>7.1</b>	<b>(46 107)</b>

	Note	2018 (\$'000)
<b>Cash flows from investing activities</b>		
<b>Payments</b>		
Purchase of non-current assets		(15 743)
<b>Receipts</b>		
Proceeds from sale of non-current physical assets		320
<b>Net cash used in investing activities</b>	<b>7.1</b>	<b>(15 423)</b>
Net decrease in cash and cash equivalents		70 130
<b>Cash and cash equivalents at the end of period</b>	<b>7.1</b>	<b>70 130</b>

The Statement of cash flows should be read in conjunction with the accompanying notes.



## Summary of consolidated account appropriations and income estimates

### For the year ended 30 June 2018

	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance (\$'000)
<b>Delivery of services</b>			
Item 106 net amount appropriated to deliver services	90 200	92 490	2 290
Amount authorised by other statutes			-
- <i>Salaries and Allowances Act 1975</i>	613	402	(211)
<b>Total appropriations provided to deliver services</b>	<b>90 813</b>	<b>92 892</b>	<b>2 079</b>
<b>Capital</b>			
Item 161 capital appropriation	11 329	10 264	(1 065)
<b>Grand total</b>	<b>102 142</b>	<b>103 156</b>	<b>1 014</b>

	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance (\$'000)
<b>Details of expenses by service</b>			
Water information and advice	43 286	41 647	1 639
Water planning allocation and optimisation	34 373	40 027	(5 654)
Water regulation, licensing and industry governance	17 706	17 419	287
Environmental regulation	39 277	36 685	2 592
Environment policy	6 910	4 608	2 302
Waste strategies	24 604	19 922	4 682
Environmental impact assessment services to the Environmental Protection Authority (EPA)	8 229	8 878	(649)
Environmental management services to the EPA	3 483	3 138	345
Compliance monitoring services to the Minister for Environment	2 391	1 084	1 307
Total cost of services	180 259	173 408	6 851
Less total income	(109 044)	(120 986)	11 942
<b>Net cost of services</b>	<b>71 215</b>	<b>52 423</b>	<b>18 793</b>
<b>Total appropriations provided to deliver services</b>	<b>71 215</b>	<b>52 423</b>	<b>18 793</b>
<b>Capital expenditure</b>			
Purchase of non-current physical assets	(17 139)	(15 743)	1 396
<b>Capital contribution (appropriation)</b>	<b>(17 139)</b>	<b>(15 743)</b>	<b>1 396</b>
<b>Details of income estimates</b>			
Income disclosed as administered income	55	100	45
	<b>55</b>	<b>100</b>	<b>45</b>



# Notes to the financial statements

For the year ended 30 June 2018

## 1 Basis of preparation

The Department of Water and Environmental Regulation is a WA Government entity and is controlled by the State of Western Australia which is the ultimate parent. The agency is a not-for-profit entity (as profit is not its principal objective). A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the agency on 27 August 2018.

### (a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 2006 (FMA)* the Treasurer's Instructions (the Instructions or TI) Australian Accounting Standards (AAS) including applicable interpretations and where appropriate those AAS paragraphs applicable for not-for-profit entities have been applied. The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### (b) Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

### (c) Judgements and estimates

Judgements estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

### (d) Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity. The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

## 2 Agency outputs

### (a) How the department operates

This section includes information regarding the nature of funding the agency receives and how this funding is utilised to achieve the agency's objectives. This note also provides the distinction between controlled funding and administered funding:

	Note
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### 2.1 Agency objectives

#### Mission

The department's mission is to lead and excel in the sustainable management and protection of Western Australia's water and environment. The department works to ensure the state's water resources and environment are healthy and able to support a strong economy and thriving communities, now and in the future.





The department is predominantly funded by Parliamentary appropriation and is supplemented by funds received from other sources to provide specialist related services. The financial statements encompass all funds through which the department controls resources to carry on its functions.

The department's management framework is consistent with the Government goal for social and environmental responsibility, which is to ensure a quality environment with liveable and affordable communities and vibrant regions.

## Services

The department provides the following services:

### Service 1: Water information and advice

The department enables investment decisions of regional and state significance through the provision of data and information on the quantity, quality, location of, and demand for, water across the state. The information also underpins policy advice for consideration by Government and supports other government agencies and stakeholders in their planning for future economic growth and urban and rural development.

### Service 2: Water planning, allocation and optimisation

Water planning, allocation and optimisation ensure the sustainable management of water resources for the long term benefit of the state and rely on good science. This includes planning and allocating water for sustainable productive use, protecting public drinking water sources, and ensuring the sustainability of water resources and their dependent ecosystems.

### Service 3: Water regulation, licensing and industry governance

Responsible proportional regulation ensures investment, growth and development is underpinned by the sustainable management of the state's water resources for the long term benefit of the state. This service includes the management of water licensing. It also includes the management of the legislation governing the operations of water service providers.

### Service 4: Environmental regulation

By performing environmental regulation functions of approvals, compliance and enforcement.

### Service 5: Environment policy

By developing and implementing the policies and strategies that promote sustainable environmental outcomes.

### Service 6: Waste strategies

By advising on and implementing the State Government's strategies to reduce the environmental impact of waste.

### Service 7: Environmental impact assessment services to the Environmental Protection Authority (EPA)

By providing environmental impact assessment support to the EPA for significant proposals (that is, proposals involving major projects, industrial, mining, petroleum and infrastructure developments) and strategic proposals. The department also assists the Minister for Environment in issuing and managing Ministerial approval statements.

### Service 8: Environmental management services to the EPA

By providing policy and technical advice and support to the EPA on matters including environmental impact assessment environmental policies and guidelines and emerging environmental issues.

### Service 9: Compliance monitoring services to the Minister for Environment

Audit the compliance with conditions set under Ministerial approvals and undertake enforcement actions as appropriate.

The department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral, to the function of the department. These administered balances and transactions are not recognised in the principal financial statements of the department but schedules are prepared using the same basis as the financial statements and are presented at note 10.1 'Administered income and expenses' and note 10.3 'Administered assets and liabilities'.



## 2.2 Schedule of income and expenses by service

### For the year ended 30 June 2018

	Water information and advice	Water planning, allocation and optimisation	Water regulation, licensing and industry governance	Environmental regulation	Environment policy	Waste strategies	Environmental impact assessment services to the Environmental Protection Authority (EPA)	Environmental management services to the EPA	Compliance monitoring services to the Minister for Environment	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Cost of services</b>										
<b>Expenses</b>										
Employee benefits expense	21 049	15 155	12 513	24 892	3 645	10 458	6 808	2 398	958	97 876
Supplies and services	8 825	10 544	2 360	4 670	565	2 900	1 290	447	87	31 688
Depreciation and amortisation expense	4 537	4 991	198	365	46	123	85	31	4	10 380
Accommodation expenses	2 718	1 268	1 765	1 982	245	1 092	446	161	19	9 695
Grants and subsidies	2 816	6 372	266	3 667	20	5 150	110	51	11	18 463
Loss on disposal of non-current assets	155	84	80	147	19	49	34	12	1	582
Other expenses	1 548	1 613	237	962	67	150	105	38	4	4 724
<b>Total cost of services</b>	<b>41 647</b>	<b>40 027</b>	<b>17 419</b>	<b>36 685</b>	<b>4 608</b>	<b>19 922</b>	<b>8 878</b>	<b>3 138</b>	<b>1 084</b>	<b>173 409</b>
<b>Income</b>										
User charges and fees	12	2	41	23 545	537	76 401	1	0	0	100 538
Commonwealth grants and contributions	2 082	8	3	333	41	-	-	-	-	2 467
Interest revenue	5	-	3	-	-	726	-	-	-	735
Other revenue	680	4 741	200	1 392	27	10 131	52	18	3	17 244
Gain on disposal of non-current assets	7	(3)	6	(5)	(1)	(2)	(1)	(0)	(0)	2
<b>Total income other than income from state government</b>	<b>2 786</b>	<b>4 748</b>	<b>252</b>	<b>25 265</b>	<b>605</b>	<b>87 257</b>	<b>51</b>	<b>18</b>	<b>3</b>	<b>120 986</b>
<b>Net cost of services</b>	<b>38 861</b>	<b>35 279</b>	<b>17 166</b>	<b>11 421</b>	<b>4 003</b>	<b>(67 335)</b>	<b>8 827</b>	<b>3 120</b>	<b>1 081</b>	<b>52 423</b>



## 2.2 Schedule of income and expenses by service continued

	Water information and advice	Water planning, allocation and optimisation	Water regulation, licensing and industry governance	Environmental regulation	Environment policy	Waste strategies	Environmental impact assessment services to the Environmental Protection Authority (EPA)	Environmental management services to the EPA	Compliance monitoring services to the Minister for Environment	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Income from state government</b>										
Service appropriation	24 747	13 438	12 736	23 470	2 976	7 868	5 456	1 973	229	92 892
Resources received free of charge	957	98	141	199	28	67	153	47	18	1 708
Royalties for Regions Fund	1 958	6 298	31	-	-	-	-	-	-	8 287
State grant	1 062	1 880	579	-	-	-	220	63	31	3 835
<b>Total income from state government</b>	<b>28 724</b>	<b>21 714</b>	<b>13 487</b>	<b>23 669</b>	<b>3 004</b>	<b>7 935</b>	<b>5 829</b>	<b>2 082</b>	<b>279</b>	<b>106 722</b>
<b>Surplus/(deficit) for the period</b>	<b>(10 136)</b>	<b>(13 565)</b>	<b>(3 679)</b>	<b>12 249</b>	<b>(999)</b>	<b>75 270</b>	<b>(2 999)</b>	<b>(1 038)</b>	<b>(803)</b>	<b>54 300</b>

The Schedule of income and expenses by service should be read in conjunction with the accompanying notes.



## 2.3 Schedule of assets and liabilities by service

### For the year ended 30 June 2018

	Water information and advice	Water planning, allocation and optimisation	Water regulation, licensing and industry governance	Environmental regulation	Environment policy	Waste strategies	Environmental impact assessment services to the Environmental Protection Authority (EPA)	Environmental management services to the EPA	Compliance monitoring services to the Minister for Environment	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Assets</b>										
Current assets	26 070	14 157	13 417	24 725	3 135	18 288	5 748	2 078	242	107 859
Non-current assets	104 959	56 995	54 018	99 543	12 622	33 370	23 140	8 366	973	393 987
<b>Total assets</b>	<b>131 029</b>	<b>71 152</b>	<b>67 435</b>	<b>124 268</b>	<b>15 757</b>	<b>51 658</b>	<b>28 888</b>	<b>10 444</b>	<b>1 214</b>	<b>501 846</b>
<b>Liabilities</b>										
Current liabilities	7 392	4 014	3 805	7 011	889	2 350	1 630	589	69	27 749
Non-current liabilities	1 793	974	923	1 701	216	570	395	143	17	6 731
<b>Total liabilities</b>	<b>9 186</b>	<b>4 988</b>	<b>4 727</b>	<b>8 712</b>	<b>1 105</b>	<b>2 920</b>	<b>2 025</b>	<b>732</b>	<b>85</b>	<b>34 480</b>
<b>Net assets</b>	<b>121 844</b>	<b>66 164</b>	<b>62 707</b>	<b>115 557</b>	<b>14 653</b>	<b>48 738</b>	<b>26 863</b>	<b>9 712</b>	<b>1 129</b>	<b>467 366</b>

The Schedule of assets and liabilities by service should be read in conjunction with the accompanying notes.

### 3. Use of our funding

#### Expenses incurred in the delivery of services

This section provides additional information about how the department’s funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the department in achieving its objectives and the relevant notes are:

	Note	2018 (\$'000)
Employee benefits expense	3.1(a)	97 876
Employee related provisions	3.1(b)	24 909
Grants and subsidies	3.2	18 463
Other expenditure	3.3	46 108

#### 3.1 (a) Employee benefits expense

Wages and salaries	71 304
Termination benefits	6 799
Superannuation - defined contribution plans <sup>(a)</sup>	6 982
Superannuation - defined benefits plans	1 119
Annual leave	7 039
Long service leave	2 805
Other related expenses	1 828
<b>Total employee benefits expenses</b>	<b>97 876</b>

(a) Defined contribution plans include WestState Superannuation Scheme (WSS), Gold State Superannuation Scheme, Government Employees Superannuation Schemes (GESBs) and other eligible funds.

#### Wages and salaries

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements and WorkCover premiums.

#### Termination benefits

Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the department is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### Superannuation

The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions) the WSS, the GESBs or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however a defined contribution plan for department purposes because the concurrent contributions (defined contributions) made by the department to GESB extinguishes the department’s obligations to the related superannuation liability.

The department does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the department to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

### 3.1 (b) Employee related provisions

Provision is made for benefits accruing to employees, in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2018 (\$'000)
<b>Current</b>	
<b>Employee benefits provisions</b>	
Annual leave <sup>(a)</sup>	7 080
Long service leave <sup>(b)</sup>	12 191
Purchased Annual Leave	370
Deferred salary scheme <sup>(c)</sup>	19
	<b>19 660</b>
<b>Other provisions</b>	
Employment on-costs <sup>(d)</sup>	<b>176</b>
<b>Total current employee related provisions</b>	<b>19 836</b>
<b>Non-current</b>	
<b>Employee benefits provisions</b>	
Long service leave <sup>(b)</sup>	5 027
<b>Other provisions</b>	
Employment on-costs <sup>(d)</sup>	46
<b>Total non-current employee related provisions</b>	<b>5 073</b>
<b>Total employee related provisions</b>	<b>24 909</b>

**(a) Annual leave liabilities:** Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018 (\$'000)
Within 12 months of the end of the reporting period	5 202
More than 12 months after the end of the reporting period	1 877
	<b>7 080</b>

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

**(b) Long service leave liabilities:** Unconditional long service leave provisions are classified as current liabilities as the department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018 (\$'000)
Within 12 months of the end of the reporting period	4 908
More than 12 months after the end of the reporting period	12 309
	<b>17 217</b>

The provision for long service leave liabilities are calculated at present value as the department does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

**(c) Deferred salary scheme liabilities:** Classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

	2018 (\$'000)
Within 12 months of the end of the reporting period	19
	<b>19</b>

**(d) Employment on-costs:** The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, Note 3.3 (apart from the unwinding of the discount (finance cost))' and are not included as part of the department's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

Employment on-costs provision	2018 (\$'000)
Transferred in from the former agencies	222
Additional/(reversals of) provisions recognised	176
Payments/other sacrifices of economic benefits	(176)
<b>Carrying amount at end of period</b>	<b>222</b>

### Key sources of estimation uncertainty – long

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the department's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

### 3.2 Grants and subsidies

	Note	2018 (\$'000)
<b>Recurrent</b>		
Contaminated Sites Management Account Grants		383
Grants other		413
Rural Water Grants	6.4(c)	4 474
State-wide water efficiency measures		259
Water Sensitive Cities - Cooperative Research Centre		150
Waste Avoidance and Resource Recovery Account (WARR)	4.5	5 128
Water Innovation Partnership		230
Watering WA <sup>(a)</sup>		1 860
National partnership payments <sup>(b)</sup>		2 337
<b>Capital</b>		
The Establishing and Maintaining Vegetation Offsets Account <sup>(c)</sup>		3 229
<b>Total grants and subsidies</b>		<b>18 463</b>

(a) Grants issued in partnership with regional local councils to deliver alternative water supply projects through stormwater harvesting, wastewater re-use, refurbishment of agricultural area dams and town dams.

(b) The State of Western Australia entered into a project agreement for the National Water Infrastructure Development Fund on 21 January 2016. The agreement aims to support delivery of feasibility studies that inform investment decisions on potential new or augmented water infrastructure to secure the nation's water supplies and deliver strong economic benefits for Australia, while protecting environment.

(c) The Establishing and Maintaining Vegetation Offsets Account was established for the purpose of establishing or maintaining vegetation as a condition of a clearing permit granted under the Environmental Protection Act 1986. The requirement for an offset counterbalances the loss of native vegetation as a condition of a native vegetation clearing permit. The department is responsible for determining the offsets sites acquired using Offset Account monies. There is reliance on the Department of Biodiversity, Conservation and Attractions to identify and acquire appropriate land with the intention the land will be protected under the *Conservation and Land Management Act 1984*.



Transactions in which the department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

### 3.3 Other expenditures

	2018 (\$'000)
<b>Supplies and services</b>	
Communications	1 235
Consultants and contractors	21 028
Consumables	140
Materials	235
Travel	1 037
Vehicle lease and hire	1 942
Minor plant, machinery and equipment	2 314
Plant, machinery and equipment lease	481
Chemical analysis expense	1 326
Other supplies & services	1 951
<b>Total supplies and services expenses</b>	<b>31 689</b>
<b>Accommodation expenses</b>	
Lease rentals	7 558
Power and water consumption	824
Rates and taxes	416
Security	82
Repairs & maintenance	366
Cleaning	449
<b>Total accommodation expenses</b>	<b>9 695</b>
<b>Other expenses</b>	
Audit fees	269
Equipment repairs and maintenance	1 114
Bad and doubtful debts expense	53
Transfer of Water For Food funding <sup>(a)</sup>	2 007
Employment on-costs <sup>(b)</sup>	372
Other operating expenses	909
<b>Total other expenses</b>	<b>4 724</b>
<b>Total other expenditures</b>	<b>46 108</b>



(a) Transfer of remaining funding to the Department of Primary Industries and Regional Development relating to the Water For Food project.

(b) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 3.1(b) 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

#### Other expenditures:

Other expenditures generally represent the day-to-day running costs incurred in normal operations.

#### Supplies and services:

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

#### Accommodation expenses:

Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

Repairs maintenance and cleaning costs are recognised as expenses as incurred.

#### Equipment repairs and maintenance:

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

**Doubtful debt expense** is recognised as the movement in the provision for doubtful debt. Please refer to note 6.1.1. Movement of the allowance for impairment of receivables.

**Employee on-cost** includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at Note 3.1(b) Employee related provision. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

### 3.4 Loss on disposal of non-current assets

	2018 (\$'000)
<b>Proceeds from disposal of non-current assets</b>	
Land	287
Plant, equipment and vehicles	20
<b>Carrying amount of non-current assets disposed</b>	
Land	(767)
Buildings	(122)
<b>Net loss</b>	<b>(582)</b>

## 4. Our funding sources

#### How we obtain our funding

This section provides additional information about how the department obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the department and the relevant notes are:

	Note	2018 (\$'000)
Income from state government	4.1	106 722
User charges and fees	4.2	25 029
Commonwealth grants and contributions	4.3	2 467
Gains	4.4	2
Waste levy	4.5	75 509
Other revenue	4.6	17 244

## 4.1 Income from state government

	2018 (\$'000)
Appropriation received during the period:	
Service appropriation <sup>(a)</sup>	92 892
	<b>92 892</b>
<b>State Grants <sup>(b)</sup></b>	
Department of Communities (Housing)	177
Department of Biodiversity Conservation and Attractions	1 648
Fremantle Ports	24
Main Roads WA	35
Department of Primary Industries and Regional Development	1 530
Office of Emergency Management	94
Water Corporation	14
Department of Jobs, Tourism, Science and Innovation	197
Department of Mines, Industry Regulation and Safety	117
<b>Total State Grants</b>	<b>3 835</b>
<b>Services received free of charge from other state government agencies during the period:</b>	
Department of Finance	113
Department of Planning, Lands and Heritage	21
Department of Primary Industries and Regional Development	9
Landgate	746
Main Roads	138
State Solicitor's Office	681
<b>Total services received</b>	<b>1 708</b>
Royalties for Regions Fund	
Regional Infrastructure and Headworks Account <sup>(c)</sup>	8 210
Regional Community Services Account <sup>(c)</sup>	77
<b>Total Royalties for Regions Fund</b>	<b>8 287</b>
<b>Total income from State Government</b>	<b>106 722</b>

(a) **Service Appropriations** are recognised as revenues at fair value in the period in which the department gains control of the appropriated funds. The department gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Service appropriations fund the net cost of services delivered (as set out in note 2.2). Appropriation revenue comprises the following:

- Cash component; and
- A receivable (asset).

The receivable (holding account – note 6.2) comprises the following:

- The budgeted depreciation expense for the year; and
- Any agreed increase in leave liabilities during the year.

### (b) State Grants

State Grants are recognised as revenue at fair value in the period in which the department obtains control over the funds.

### (c) The Regional Infrastructure and Headworks Account, and, Regional Community

**Services Accounts** are sub-funds within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as revenue when the department gains control on receipt of the funds.

## 4.2 User charges and fees

	2018 (\$'000)
Industry fees <sup>(a)</sup>	20 207
Controlled waste <sup>(b)a</sup>	4 431
Contaminated sites	174
Other charges and fees	217
	<b>25 029</b>

(a) Licensing and registration fees relating to prescribed premises under the Part V of the *Environmental Protection Act 1986*.

(b) Fees for the licensing of vehicles transporting controlled public waste as per the *Environmental Protection (Controlled Waste) Regulations 2004*.

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised by reference to the stage of completion of the transaction.



### 4.3 Commonwealth grants and contributions

	2018 (\$'000)
Commonwealth grants and contributions	385
National Partnership Payments	2 082
	<b>2 467</b>

For non-reciprocal grants the department recognises revenue when the grant is receivable at its fair value as and when its fair value can be reliably measured.

Contributions of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

Indian Ocean Territories Environment	291
Indian Ocean Territories Waters	3
National Pollutant Inventory	83
Reef Integrated Monitoring and Reporting Program	8
National Partnership Payments	2 082
	<b>2 467</b>

### 4.4 Gains

	2018 (\$'000)
<b>Net proceeds from disposal on non-current assets</b>	
Land	2
<b>Net gain (loss)</b>	<b>2</b>
<b>Total other income</b>	<b>2</b>

**Realised and unrealised gains** are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income (from the proceeds of sale).

### 4.5 Waste levy

	2018 (\$'000)
<b>Waste levy</b>	<b>75 509</b>

The Waste Avoidance and Resource Recovery Account (WARR) was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* (WARR Act). Under the Act, Metropolitan landfill operators are required to fund the operations of the WARR Account. The WARR Account holds revenue allocated from the levy to fund programs and waste management.

### 4.6 Other revenue

	2018 (\$'000)
Services rendered <sup>(a)</sup>	5 202
Lease-rentals-land & buildings	528
Grants & subs revenue-recurrent	265
Tree annuity	228
Tree harvest	152
Recoup-expense overpaid prior year	136
Insurance Recovery-Workers Comp Prior Yr	127
Recovery of Waste Levy <sup>(b)</sup>	10 000
Other revenue	606
	<b>17 244</b>

(a) Income from services rendered to the Department of Primary Industries and Regional Development under the Water for Food program.

(b) On 12 June 2018, the Administrators of one of the department's debtors, Eclipse Resources Pty Ltd agreed to the proposal to settle overdue waste levies of \$10 million. This amount was received in July 2018.

## 5. Key assets

### Assets the department utilises for economic benefit or service potential

This section includes information regarding the key assets the department utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Note	2018 (\$'000)
Infrastructure property plant and equipment	5.1	337 523
Intangibles	5.2	24 866
<b>Total key assets</b>		<b>362 389</b>



## 5.1 Infrastructure property, plant and equipment

### Year ended 30 June 2018

	Capital works in progress (\$'000)	Works of art (\$'000)	Computing equipment (\$'000)	Vehicles (\$'000)	Infrastructure (\$'000)	Plant equipment (\$'000)	Measurement sites (\$'000)	Leasehold improvements (\$'000)	Buildings (\$'000)	Land (\$'000)	Total (\$'000)
<b>1 July 2017</b>											
<i>Net assets transferred from the former agencies</i>	5 834	10	303	40	778	4 733	162 077	788	5 063	150 440	330 069
<b>Carrying amount at start of period</b>	<b>5 834</b>	<b>10</b>	<b>303</b>	<b>40</b>	<b>778</b>	<b>4 733</b>	<b>162 077</b>	<b>788</b>	<b>5 063</b>	<b>150 440</b>	<b>330 069</b>
<i>Additions</i>	12 304	-	-	-	-	-	-	-	-	258	12 563
<i>Transfers In/(Out) <sup>(a)/(b)</sup></i>	(7 480)	-	29	111	3 834	665	2 842	-	-	700	700
<i>Disposals</i>	-	-	-	-	-	-	-	-	(122)	(411)	(533)
<i>Revaluation increments/ (decrements)</i>	-	-	-	-	-	-	1 305	-	(35)	(947)	322
<i>Impairment losses</i>	-	-	-	-	-	-	-	-	-	-	-
<i>Impairment losses reversed</i>	-	-	-	-	-	-	-	-	-	-	-
<i>Depreciation</i>	-	-	(151)	(19)	(74)	(641)	(4 071)	(515)	(127)	-	(5 598)
<b>Carrying amount at 30 June 2018</b>	<b>10 659</b>	<b>10</b>	<b>181</b>	<b>132</b>	<b>4 538</b>	<b>4 757</b>	<b>162 153</b>	<b>274</b>	<b>4 780</b>	<b>150 040</b>	<b>337 523</b>

(a) The Department of Planning, Lands and Heritage (DPLH) is the only department with the power to sell Crown land. The land is transferred to DPLH for sale and the agency accounts for the transfer as a distribution to owner.

(b) Transfer in/(out) from tangible capital works in progress to asset and expense and land transferred from non-current asset held for sale (Note 9.9).

## 5.1 Infrastructure property plant and equipment continued

### Initial recognition

Items of property, plant and equipment and infrastructure, costing \$5 000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property plant and equipment and infrastructure costing less than \$5 000 are immediately expensed direct to the statement of comprehensive Income.

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

### Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of: land, buildings and infrastructure. Land is carried at fair value.

Buildings and infrastructure are carried at fair value less accumulated depreciation and accumulated impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

**Land and buildings** are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land and buildings were revalued as at 1 July 2017 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2018 and recognised at 30 June 2018. In undertaking the revaluation, fair value was determined by reference to market values for land: \$39 537 950 and buildings: \$2 719 000. For the remaining balance fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the comparison utility basis with market evidence.

**Measurement sites** are independently valued every five years by an external services valuer. In the intervening years, the measurement sites are revalued internally by use of the building cost index (BCI) provided by the Department of Finance. Groundwater Measurement sites were independently revalued by Aquenta Consulting as at 30 June 2017.

Fair value for infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset i.e. the current replacement cost. The current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

### *Revaluation model:*

#### (a) Fair value where market-based evidence is available:

The fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

#### (b) Fair value in the absence of market-based evidence:

**Buildings and measurement sites:** Fair value for existing use specialised buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset i.e. the current replacement cost. Current replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Valuation using current replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuation Services) for buildings and internally for measurement sites. The fair value measurement is sensitive to the estimate of consumption/obsolescence with higher values of the estimate correlating with lower estimated fair values of buildings.



**Restricted use land:** Fair value is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

**Significant assumptions and judgements:** The most significant assumptions and judgements in estimating a fair value are made in assessing whether to apply the existing use basis and in determining estimated economic life to assets. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

### 5.1.1 Depreciation and impairment charge for the period

	2018 (\$'000)
<b>Depreciation</b>	
Buildings	127
Infrastructure	74
Plant equipment	641
Vehicles	19
Computing equipment	151
Depreciation leasehold improvements	515
Depreciation measurement sites	4 071
<b>Total depreciation</b>	<b>5 598</b>
<b>Amortisation</b>	
Computing software	3 932
Analytical products	850
<b>Total amortisation</b>	<b>4 782</b>
<b>Total depreciation &amp; amortisation for the period</b>	<b>10 380</b>

As at 30 June 2018 there were no indications of impairment to property plant and equipment or infrastructure.

Please refer to note 5.2 for guidance in relation to the impairment assessment that has been performed for intangible assets.

### Finite useful lives

All infrastructure property plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life : Years
Building	20 to 40 years
Leasehold improvement <sup>(b)</sup>	20 years
Measurement sites	20 to 40 years
Plant and equipment	5 to 20 years
Computing equipment (hardware and software <sup>(a)</sup> )	3 to 5 years
Infrastructure	20 to 50 years
Vehicles	5 years

(a) Software that is integral to the operation of related hardware

(b) Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Land and works of art, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

### Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the department is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

## 5.2 Intangible assets

Year ended 30 June 2018	Capital work in progress	Analytical products	Computer software	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>1 July 2017</b>				
<b>Opening amount at start of period</b>				
Transferred in from the former agencies	5 138	8 383	13 909	27 430
Additions	2 218	-	-	2 218
Transfer In/(Out) <sup>(a)</sup>	(4 302)	359	3 943	-
Amortisation expense	-	(850)	(3 932)	(4 782)
<b>Carrying amount at 30 June 2018</b>	<b>3 054</b>	<b>7 892</b>	<b>13 920</b>	<b>24 866</b>

(a) Transfer in/(out) from capital works in progress to asset and expense

### Initial recognition

Acquisitions of intangible assets costing \$5 000 or more and internally generated intangible assets costing \$5 000 or more that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of comprehensive income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- An intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- The intangible asset will generate future economic benefit
- The availability of adequate technical financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure directly attributable to the intangible asset during its development.

Costs incurred in the research phase of a project are immediately expensed.

### Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.



### 5.2.1 Amortisation and impairment

	2018 (\$'000)
<b>Charge for the period</b>	
Analytical products	850
Computer software	3 932
<b>Total amortisation for the period</b>	<b>4 782</b>

As at 30 June 2018 there were no indications of impairment to intangible assets.

The agency held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the department have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful lives for each class of intangible asset are:

Development costs	3 to 5 years
Software <sup>(a)</sup>	3 to 5 years
Analytical Products <sup>(b)</sup>	10 years

(a) Software that is not integral to the operation of any related hardware

(b) Analytical Products are intangible assets such as geophysical datasets and groundwater models which are usually produced as part of project work. These products are used by the department to improve its understanding and management of water resources.

#### Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in note 5.1.1.

## 6 Other assets and liabilities

This section sets out those assets and liabilities that arose from the department's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Note	2018 (\$'000)
Receivables	6.1	30 457
Amounts receivable for services	6.2	37 272
Other current assets	6.3	1 598
Payables	6.4	(9 217)
Other current liabilities	6.5	(354)

### 6.1 Receivables

	2018 (\$'000)
<b>Current</b>	
Receivables	1 231
Allowance for impairment of receivables	(63)
Accrued revenue	28 098
GST receivable	1 191
<b>Total current</b>	<b>30 457</b>
<b>Total receivables</b>	<b>30 457</b>

The department does not hold any collateral or other credit enhancements as security for receivables.

Receivables are recognised at original invoice amount less any allowances for collectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.



### 6.1.1 Movement of the allowance for impairment of receivables

#### Reconciliation of changes in the allowance for impairment of receivables:

	2018 (\$'000)
Transferred in from the former agencies	(295)
Doubtful debts expense	(53)
Impairment losses reversed during the period	285
<b>Balance at end of period</b>	<b>(63)</b>

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the department will not be able to collect the debts.

### 6.2 Amounts receivable for services (Holding account)

	2018 (\$'000)
Current	6 307
Non-current	30 965
<b>Balance at end of period</b>	<b>37 272</b>

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

The department receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

### 6.3 Other assets

	2018 (\$'000)
Current	
Prepayments	1 598
<b>Total current</b>	<b>1 598</b>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### 6.4 Payables

	2018 (\$'000)
<b>Current</b>	
Trade payable <sup>(a)</sup>	661
Other payables	562
Accrued expenses <sup>(c)</sup>	6 015
Accrued salaries <sup>(b)</sup>	321
<b>Total current</b>	<b>7 559</b>
<b>Non-current</b>	
Accrued expenses <sup>(c)</sup>	1 658
Total non-current	1 658
<b>Balance at end of period</b>	<b>9 217</b>

(a) Payables are recognised at the amounts payable when the department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(b) Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The department considers the carrying amount of accrued salaries to be equivalent to its fair value.

(c) Accrued Expenses relates to Rural Water Grants an independent department approved water auditor conducts an on-farm water audit, sends a schedule of works based on the audit. The department reviews the schedule of works and approvals. The water auditor goes back and reviews what works have been done under the schedule of works and sends back the schedule of works to the department. The farmer makes an application for a rebate. The department reviews and pays the rebate claim. The program officially closed on 30 June 2018. Unprocessed applications for rebates are accrued as the department's liabilities.

### 6.5 Other current liabilities

Revenue received in advance	352
Stale cheque holding account	2
	<b>354</b>



## 7 Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the department.

	Note	2018 (\$'000)
Cash and cash equivalents	7.1	
Reconciliation of cash	7.1.1	70 130
Reconciliation of operating activities	7.1.2	(46 107)
Commitments	7.2	
Non-cancellable operating lease commitments	7.2.1	78 738
Capital commitments	7.2.2	180
Other expenditure commitments	7.2.3	6 287

### 7.1 Cash and cash equivalents

#### 7.1.1 Reconciliation of cash

	2018 (\$'000)
<b>Current</b>	
Cash and cash equivalents	5 512
Restricted cash and cash equivalents <sup>(a)</sup>	63 985
<b>Total Current</b>	<b>69 497</b>
<b>Non current</b>	
- Accrued salaries suspense account <sup>(b)</sup>	633
<b>Total Non-current</b>	<b>633</b>
<b>Balance at end of period</b>	<b>70 130</b>

(a) Composed of the Waste Avoidance Resource Recovery account (\$38.6 million), Low Emissions Energy Development fund (\$9m), Environmental Offsets account (\$8.2 million), and other funds (\$8.2 million) that are restricted in their purpose and cannot be used in general operations.

(b) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise of cash on hand and funds held in the suspense account for the purpose of meeting the 27th pay.

#### 7.1.2 Reconciliation of net cost of services to net cash flows provided by/ (used in) operating activities

	Note	2018 (\$'000)
<b>Net cost of services</b>		(52 423)
<b>Non-cash items</b>		
Depreciation and amortisation expense	5.1.1	10 380
Doubtful debts expense	3.3	53
Prior year error-related to the former agencies		657
Disposal of assets as a result of the former agencies		1 050
Services received free of charge	4.1	1 708
Net (gain)/loss on disposal of property plant and equipment		580
Revaluation decrement		724
<b>(Increase) / decrease in Assets</b>		
Current receivables <sup>(a)</sup>		(11 984)
Other current assets		142
<b>Increase / (decrease) in liabilities</b>		
Current payables <sup>(a)</sup>		2 708
Other current liabilities		(1 809)
Non-current provisions		(418)
Other current liabilities		1 658
Net GST receipts / (payments) <sup>(b)</sup>		(1 241)
Change in GST in receivables/ payables <sup>(c)</sup>		2 106
<b>Net cash used in operating activities</b>		<b>(46 107)</b>

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received i.e. cash transactions.

(c) This reverses out the GST in receivables and payables.



## 7.2 Commitments

### 7.2.1 Non-cancellable operating lease commitments

	2018 (\$'000)
Commitments for minimum lease payments are payable as follows:	
Within 1 year	9 397
Later than 1 year and not later than 5 years	22 043
Later than 5 years	47 299
	<b>78 738</b>

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

The department has entered into 11 property leases which are non-cancellable and rents are payable monthly in advance. The leases have terms ranging from within one to 15 years; some with options to renew at the end of the lease. The department's accommodation leases account for \$8.76 million of the non-cancellable operating lease commitments for 2018. Above lease commitment include \$69.5m payable to Department of Finance relating to 8 Davidson Terrace Joondalup accommodation where the department is planning to relocate.

The department's fleet leases account for \$1.95 million of the non-cancellable operating lease commitments for 2018. The lease term varies depending on the vehicle. The lease payments are fixed for the term of the lease and are payable monthly. There is no option to renew the lease at the end of the lease term. The department leases its motor vehicle fleet and certain office premises. The lease expenditure is expensed as it is incurred. Motor vehicle leasing arrangements are under the terms of the State Fleet Funding Facility Contract administered by State Fleet - State Supply Commission.

The department's printer leases account for \$0.16 million of the non-cancellable operating lease commitments for 2018. The lease term is two years. The lease payments are variable for the term of the lease based on an agreed volume of copies and are payable monthly. There are two optional one year contract extensions to the lease exercisable at the discretion of the department at the end of the lease term. The lease expenditure is expensed as it is incurred.

### 7.2.2 Capital Commitments

	2018 (\$'000)
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements are payable as follows:	
Within 1 year	180
	<b>180</b>

The totals presented for capital commitments are GST inclusive

### 7.2.3 Other expenditure commitments

	2018 (\$'000)
Other expenditure commitments contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:	
Within 1 year	6 263
Later than 1 year and not later than 5 years	24
	<b>6 287</b>

The totals presented for other expenditure commitments are GST inclusive.

### Judgements made by management in applying accounting policies – operating lease commitments

The department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

## 8 Risks and contingencies

This note sets out the key risk management policies and measurement techniques of the department.

	Note
Financial risk management	8.1
Contingent assets	8.2.1
Contingent liabilities	8.2.2
Fair value measurements	8.3

### 8.1 Financial risk management

Financial instruments held by the department are cash and cash equivalents, restricted cash and cash equivalents, loans and receivables and payables. The department has limited exposure to financial risks. The department's overall risk management program focuses on managing the risks identified below.

#### 8.1 (a) Summary of risks and risk management

##### Credit risk

Credit risk arises when there is the possibility of the department's receivables defaulting on their contractual obligations resulting in financial loss to the department.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 8.1(c) 'Financial instruments disclosures' and Note 6.1 'Receivables'.

Credit risk associated with the department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than Government the department trades only with recognised creditworthy third parties. The department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

##### Liquidity risk

Liquidity risk arises when the department is unable to meet its financial obligations as they fall due.

The department is exposed to liquidity risk through its trading in the normal course of business.

The department has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

##### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the department's income or the value of its holdings of financial instruments. The department does not trade in foreign currency and is not materially exposed to other price risks. The department's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations.

Other than as detailed in the interest rate sensitivity analysis table at Note 8.1(e) the department is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings.

#### 8.1 (b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2018 (\$'000)
<b>Financial assets</b>	
Cash and cash equivalents	5 512
Restricted cash and cash equivalents	64 618
Receivables <sup>(a)</sup>	29 266
Amount receivable for services	37 272
<b>Total financial assets</b>	<b>136 668</b>
<b>Financial liabilities</b>	
Payables	9 217
<b>Total financial liability</b>	<b>9 217</b>

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).



## 8.1 (c) Ageing analysis of financial assets

## Year ended 30 June 2018

	Carrying amount	Not past due and not impaired	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Impaired financial assets
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>2018</b>							
Cash and cash equivalents	5 512	5 512	5 512	-	-	-	-
Restricted cash and cash equivalents	64 618	64 618	64 618	-	-	-	-
Receivables <sup>(a)</sup>	29 266	28 456	520	112	178	-	(63)
Amount receivable for services	37 272	-	-	950	5 357	30 965	-
	<b>136 668</b>	<b>98 586</b>	<b>70 650</b>	<b>1 062</b>	<b>5 535</b>	<b>30 965</b>	<b>(63)</b>

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

### 8.1 (d) Liquidity risk and interest rate exposure

The following table details the agency's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

#### Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted average effective interest rate	Interest rate exposure				Nominal amount	Maturity dates				
		Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
	%	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>2018</b>											
<b>Financial assets</b>											
Cash and cash equivalents		5 512			5 512	5 512	5 512				
Restricted cash and cash equivalents	1.96	64 618		39 063	25 555	64 618	63 985				633
Receivables <sup>(a)</sup>		29 266			29 266	29 266	29 266				
Amount receivable for services		37 272			37 272	37 272		950	5 357	30 965	
		<b>136 668</b>	<b>-</b>	<b>39 063</b>	<b>97 605</b>	<b>136 668</b>	<b>98 763</b>	<b>950</b>	<b>5 357</b>	<b>30 965</b>	<b>633</b>
<b>Financial liabilities</b>											
Payables		9 217			9 217	9 217	1 544		6 015	1 658	
		<b>9 217</b>	<b>-</b>	<b>-</b>	<b>9 217</b>	<b>9 217</b>	<b>1 544</b>	<b>-</b>	<b>6 015</b>	<b>1 658</b>	<b>-</b>

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

### 8.1 (e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the agency's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1 per cent change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount	-100 basis points		+100 basis points	
		Surplus	Equity	Surplus	Equity
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>2018</b>					
<b>Financial assets</b>					
Restricted cash and cash equivalents	39 063	(391)	(391)	391	391
<b>Financial liabilities</b>					
<b>Total increase / (decrease)</b>		<b>(391)</b>	<b>(391)</b>	<b>391</b>	<b>391</b>



## 8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### 8.2.1 Contingent assets

The following contingent assets are excluded from the assets included in the financial statements:

	2018 (\$'000)
Benefit potentially receivable from the state's claim for outstanding waste levies involving Moltoni Corporation Pty Ltd (amount is plus costs and penalties)	1 400
Benefit potentially receivable in relation to Supreme Court action involving Fobbing Hall Pty Ltd.	100
Benefit potentially receivable in relation to Supreme Court action involving R.C.G Technologies Pty Ltd.	2 940
	<b>4 440</b>

### 8.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities included in the financial statements:

Potential costs outcome in relation to state's claim for outstanding waste levies involving Moltoni Corporation Pty Ltd.	100
Cost potentially payable in relation to WA Industrial Relations Commission action involving termination of registered employee.	180
Costs potentially payable in relation to Supreme Court action involving Fobbing Hall Pty Ltd.	100

### Contaminated sites

Under the *Contaminated Sites Act 2003*, State Agencies are required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, the DWER classifies these sites on the basis of risk to human health, the environment and environmental values. Where sites are classified as contaminated - remediation required or possibly contaminated - investigation required, the department may have a liability in respect of investigation or remediation expenses.

There is an outstanding contingent liability in relation to the remediation of the Brookdale Liquid Waste Treatment Facility in agreement with the Water Corporation.

400

780

## 8.3 Fair value measurements

Assets measured at fair value: 2018

	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	Fair value at the end of period (\$'000)
Land (Note 5.1)	-	39 538	110 501	150 039
Buildings (Note 5.1)	-	2 719	2 061	4 780
Measurement Sites (Note 5.1)	-	-	162 153	162 153
	-	<b>42 257</b>	<b>274 715</b>	<b>316 972</b>

### Valuation techniques to derive Level 2 fair values

Level 2 fair values of Land and Buildings (office accommodation) are derived using the market approach. Market evidence of sales prices of comparable land and buildings (office accommodation) in close proximity is used to determine price per square metre.



### Fair value measurements using significant unobservable inputs (Level 3)

	Land	Buildings	Measurement Sites
	(\$'000)	(\$'000)	(\$'000)
<b>2018</b>			
Transfers from the former agencies	111 980	2 135	162 077
Additions	-	-	2 842
Revaluation increments/(decrements) recognised in Other comprehensive income	(733)	(21)	1 305
Transfers from/(to) Level 2	(347)	-	-
Disposals	(399)	-	-
Depreciation expense	-	(53)	(4 071)
<b>Fair value at end of period</b>	<b>110 501</b>	<b>2 061</b>	<b>162 153</b>

Total gains or losses for the period included in profit or loss, under 'Other Gains'

### Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

### Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuation Services) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

### Measurement Sites (Level 3 fair values)

Fair value for existing use specialised buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Valuation using depreciation replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuation Services) for buildings and internally for measurement sites. The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings.

### Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

## 9 Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements for the understanding of this financial report.

	Note
Future impact of Australian Accounting Standards not yet operative	9.1
Key management personnel	9.2
Related party transactions	9.3
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Affiliated bodies	9.5
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### 9.1 Future impact of Australian Accounting Standards not yet operative

The department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements' or by an exemption from TI 1101. Where applicable the department plans to apply the following Australian Accounting Standards from their application date.

	Operative for reporting periods beginning on/after
<p><b>AASB 9 Financial Instruments</b></p> <p>This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.</p> <p>The department has not assessed that recognition of expected credit losses yet which may increase the amount of impairment losses recognised as Other expenses in the Statement of Comprehensive Income, and thus have an adverse impact on the department's Surplus/(Deficit) for the period.</p>	1 Jan 2018
<p><b>AASB 15 Revenue from Contracts with Customers</b></p> <p>This Standard establishes the principles that the department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows rising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.</p> <p>Department's income is significantly derived from appropriations which will be measured under AASB 1058 and will be unaffected by this change. However the department has not yet determined the potential impact of the Standard on 'User charges and fees' revenue. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the department has discharged its performance obligations.</p>	1 Jan 2019



	Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after
<p><b>AASB 16 Leases</b></p> <p>This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value.</p> <p>Whilst the impact of AASB 16 has not yet been quantified the entity currently has commitments for \$78 738 000 worth of non-cancellable operating leases which will mostly be brought onto the Statement of Financial Position. Interest and amortisation expense will increase and rental expense will decrease.</p>	1 Jan 2019	<p><b>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</b></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Other than the exposures to AASB 9 noted above the Model department is only insignificantly impacted by the application of the Standard.</p>	1 Jan 2018
<p><b>AASB 1058 Income of Not-for-Profit Entities</b></p> <p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) or a contribution by owners related to an asset (such as cash or another asset) received by a department. The department anticipates that the application will not materially impact appropriation or untied grant revenues.</p>	1 Jan 2019	<p><b>AASB 2014-1 Amendments to Australian Accounting Standards</b></p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. These changes have no impact as Appendix E has been superseded and the department was not permitted to early adopt AASB 9.</p>	1 Jan 2018
<p><b>AASB 1059 Service Concession Arrangements: Grantors</b></p> <p>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector department by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. The department has not identified any public private partnerships within scope of the Standard.</p>	1 Jan 2019	<p><b>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</b></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
		<p><b>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</b></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

		Operative for reporting periods beginning on/after
<b>AASB 2015-8</b>	<b>Amendments to Australian Accounting Standards – Effective Date of AASB 15</b>  This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.	1 Jan 2018
<b>AASB 2016-3</b>	<b>Amendments to Australian Accounting Standards – Clarifications to AASB 15</b>  This Standard clarifies identifying performance obligations principal versus agent considerations timing of recognising revenue from granting a licence and provides further transitional provisions to AASB 15. The department has not yet determined the application or the potential impact when the deferred AASB 15 becomes effective from 1 January 2019.	1 Jan 2018
<b>AASB 2016-7</b>	<b>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</b>  This Standard defers for not-for-profit entities the mandatory application date of AASB 15 to 1 January 2019 and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.	1 Jan 2018
<b>AASB 2016-8</b>	<b>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</b>  This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those standards to particular transactions and other events. There is no financial impact.	1 Jan 2019

## 9.2 Key management personnel

The department has determined key management personnel to include cabinet ministers and senior officers of the department. The department does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances.

The total fees salaries superannuation non-monetary benefits and other benefits for senior officers of the department for the reporting period are presented within the following bands:

Compensation band (\$)	2018
\$350 001 - \$360 000	1
\$220 002 - \$230 000	2
\$210 002 - \$220 000	4
\$200 001 - \$210 000	2
\$190 000 - \$200 000	1
\$90 000 - \$120 000	1

	2018 (\$'000)
Short-term employee benefits	1 899
Post-employment benefits	239
Other long-term benefits	227
<b>Total compensation of senior officers</b>	<b>2 366</b>

Total compensation includes the superannuation expense incurred by the department in respect of senior officers.

### 9.3 Related party transactions

The department is a wholly owned public sector entity that is controlled by the State of Western Australia.

Related parties of the department include:

- all cabinet ministers and their close family members and their controlled or jointly controlled entities
- all senior officers and their close family members and their controlled or jointly controlled entities
- other departments and statutory authorities including related bodies that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities)
- associates and joint ventures of a wholly-owned public sector entity;
- superannuation payments to GESB (Note 3.1(a))

#### Significant transactions with government-related entities

In conducting its activities the department is required to transact with the state and entities related to the state. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- income from state government (\$93 million Note 4.1)
- equity contributions (\$10 million Note 9.10)
- services rendered (\$0.3 million) or received (\$1.7million) free of charge (Note 4.1 and Note 11)
- lease rentals payments to the Department of Finance (Government Office Accommodation \$7.6 million and State Fleet \$1.9 million Note 3.3) and the Housing Authority (Government Regional Officer Housing \$0.3 million Note 3.1) and related outstanding balances (Note 7.2.1)
- Royalties for Regions Fund (\$8.4 million Note 4.1)
- remuneration for services provided by the Auditor General (\$0.3 million Note 9.8).
- insurance premium paid to Risk Cover during the year (\$0.7 million Note 3.3)
- grants received from other state agencies during the year (\$3.6 million Note 4.1)

- commitment relating to lease rental payable to Department of Finance (\$77 million Note 7.2.1)
- Department of Biodiversity Conservation and Attractions (\$2.6 million Note 3.2)

#### Material transactions with other related parties

- superannuation payments to GESB (\$6.9 million Note 3.1(a))

Outside of normal citizen type transactions with the department there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

### 9.4 Related bodies

The department currently does not provide any assistance to other agencies which would deem them to be regarded as related bodies under the definitions included in Treasurer’s Instruction 951 “Related and Affiliated Bodies”.

### 9.5 Affiliated bodies

The department currently does not provide any assistance to other agencies which would deem them to be regarded as related bodies under the definitions included in Treasurer’s Instruction 951 “Related and Affiliated Bodies”.

### 9.6 Special purpose accounts

#### Reserve 31165 Trust Account <sup>(b)</sup>

The purpose of the account is to Joint management as specifies in clause 9 of the Agreement and in relation to land south of Lake Argyle for the purposes of protecting the water resource value of Lake Argyle and the Ord River Dam.

	2018 (\$'000)
Transferred from the former agencies	330
Receipts	151
Payments	-
<b>Balance at end of period</b>	<b>481</b>

### Contaminated Sites Management Account <sup>(a)</sup>

The purpose of the account is to enable investigation or remediation of any site where the state or a public authority (excluding Local Government) is responsible for remediation. The account also funds the department's costs of investigation and ensuring compliance with notices.

	2018 (\$'000)
Transferred from the former agencies	1 942
Receipts	171
Payments	(250)
<b>Balance at end of period</b>	<b>1 863</b>

### Waste Avoidance and Resource Recovery Account <sup>(a)</sup>

The purpose of the account is to: encourage the conservation of resources and energy through waste reduction and recycling; to promote support and encourage viable alternatives to landfill disposal of waste; to encourage applied research and the development of appropriate waste management waste reduction and recycling infrastructure and markets. The account is used to fund nominated programs and other waste management initiatives approved by the Minister for the Environment on the advice of the Waste Authority of Western Australia.

	2018 (\$'000)
Transferred from the former agencies	33 246
Receipts	19 862
Payments	(14 526)
<b>Balance at end of period</b>	<b>38 581</b>

(a) Established under section 16(1)(c) of FMA.

(b) Established under section 16(1)(b) of FMA.

## 9.7 Indian Ocean Territories Account

### Indian Ocean Territories Account (Water activities)

The purpose of the account is to account for Commonwealth funds for service delivery arrangements for services by the department to the Indian Ocean Territories.

	2018 (\$'000)
Transferred from the former agencies	4
Receipts	3
Payments	(3)
<b>Balance at end of period</b>	<b>4</b>

### Indian Ocean Territories Account (Environmental activities)

The purpose of the account is to account for Commonwealth funds for service delivery arrangements for services by the department to the Indian Ocean Territories.

	2018 (\$'000)
Transferred from the former agencies	33
Receipts	292
Payments	(322)
<b>Balance at end of period</b>	<b>3</b>



## 9.8 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2018 (\$'000)
Auditing the accounts financial statements controls and key performance indicators	269
	<b>269</b>

## 9.9 Non-current assets classified as assets held for sale

The following table represents a summary of assets held for sale:

	Land <sup>(a)</sup> (\$'000)	Less write-down from cost to fair value less selling costs (\$'000)	Total (\$'000)
<b>2018</b>			
Transferred from the former agencies	1 055	-	1 055
Total assets reclassified as Property Plant and Equipment	(700)	-	(700)
<b>Total assets classified as held for sale</b>	<b>355</b>	<b>-</b>	<b>355</b>
Less assets sold	355	-	355
Closing balance	-	-	-

(a) During the 2012-13 year the Minister agreed to the sale of a series of land parcels owned by the department but are no longer required. There were no parcels of land remaining held for sale as at the end of 2017-18 financial year.

## 9.10 Equity

	2018 (\$'000)
<b>Contributed equity</b>	
Balance at start of period	-
<b>Contributions by owners</b>	
Capital appropriation	10 264
Net assets transferred in Note <sup>(a)</sup>	465 227
<b>Total contributions by owners</b>	<b>475 491</b>
<b>Distributions to owners</b>	
Transfer to consolidated account	(63 730)
<b>Total distributions to owners</b>	<b>(63 730)</b>
<b>Balance at end of period</b>	<b>411 761</b>

	2018 (\$'000)
<b>Asset revaluation surplus</b>	
Balance at start of period	-
<b>Net revaluation increments /(decrements)</b>	
Measurement Sites	1 305
<b>Balance at end of period</b>	<b>1 305</b>

a) The Department of Water (DoW) Department of Environment Regulation (DER) and Office of The Environmental Protection Authority (OEPA) were amalgamated to form a new department i.e. Department of Water and Environmental Regulation on 1 July 2017.



**Assets and Liabilities transferred from former agencies at 1 July 2017 are as follows:**

	DER (\$'000)	DOW (\$'000)	OEPA (\$'000)	Total (\$'000)
Cash assets	61 148	26 464	917	88 529
Receivables	19 496	28 285	723	48 504
Other current assets	410	2 824	-	3 234
Intangible assets	9	27 344	77	27 430
Property, plant and equipment	2 496	327 314	259	330 069
Payables	(628)	(3 213)	(195)	(4 036)
Provisions	(9 337)	(15 757)	(2 153)	(27 247)
Other liabilities	(1 084)	(172)	-	(1 256)
<b>Total Net Assets</b>	<b>72 510</b>	<b>393 089</b>	<b>(372)</b>	<b>465 227</b>

## 9.11 Supplementary financial information

### a) Write-offs

There were no write-offs during the year.

### b) Losses through theft, defaults and other causes

During the financial year nil, losses of public money and public and other property through theft or default

### c) Gifts of public property

The department had no gifts of public property during the financial year.

## 9.12 Explanatory statement (Controlled Operations)

All variances between estimates (original budget) and actual results for 2018 are shown below. Narratives are provided for key major variances which are generally greater than:

- 2 per cent and \$3.6 million for the Statements of comprehensive income and cash flows, and
- 2 per cent and \$8.2 million for the Statement of financial position.



## 9.12.1 Statement of comprehensive income variances

	Variance Note	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance 2018 (\$'000)
<b>Expenses</b>				
Employee benefits expense		99 592	97 876	1 716
Supplies and services	1	38 306	31 689	6 617
Depreciation and amortisation expense		13 334	10 380	2 954
Accommodation expenses		10 542	9 695	847
Grants and subsidies	2	14 209	18 463	(4 254)
Other expenses		4 276	4 724	(448)
Loss on disposal of non-current assets		-	582	(582)
<b>Total cost of services</b>		<b>180 259</b>	<b>173 409</b>	<b>6 850</b>
<b>Income</b>				
Revenue				
User charges and fees		23 797	25 029	1 232
Commonwealth grants and contributions		3 951	2 467	(1 484)
Waste Levy		76 000	75 509	(491)
Interest revenue		750	735	(15)
Other revenue	3	4 546	17 244	12 698
<b>Total revenue</b>		<b>109 044</b>	<b>120 984</b>	<b>11 940</b>
<b>Gains</b>				
Gain on disposal of non-current assets		-	2	2
Other gains				
<b>Total gains</b>		<b>-</b>	<b>2</b>	<b>2</b>
<b>Total income other than income from state government</b>		<b>109 044</b>	<b>120 986</b>	<b>11 942</b>
<b>Net cost of services</b>		<b>71 215</b>	<b>52 423</b>	<b>18 792</b>

	Variance Note	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance 2018 (\$'000)
<b>Income from state government</b>				
Service appropriation		90 813	92 892	2 079
State grants	4	-	3 835	3 835
Services received free of charge		1 775	1 708	(67)
Royalties for Regions Fund	5	17 166	8 287	(8 879)
<b>Total income from state government</b>		<b>109 754</b>	<b>106 722</b>	<b>(3 032)</b>
<b>Surplus for the period</b>		<b>38 539</b>	<b>54 300</b>	<b>(21 824)</b>
<b>Total comprehensive income for the period</b>		<b>38 539</b>	<b>54 300</b>	<b>(21 824)</b>

### Major Estimate and Actual (2018) Variance Narratives

- Supplies and services was underspent by \$6.6 million mainly due to the transfer of Royalties for Regions Water for Food programs to the Department of Primary Industries and Regional Development. In addition delays were experienced in the commencement of some Waste Avoidance and Resource Recovery Account programs which further reduced expenditure.
- Grants and subsidies was overspent primarily due to unanticipated expenses within Rural Water Grants and the Vegetation Offsets Account. Further the National Partnership Program was reclassified as controlled from the Administered Accounts where it was previously budgeted. This was partially offset by an underspend within the Waste Avoidance and Resource Recovery Account due to project commencement delays.
- On 12 June 2018 the creditors of Eclipse Resources Pty Ltd voted in favour of a proposal to pay the department a \$10 million settlement over the recovery of unpaid Waste Levies.
- These grants were cost recoveries related to environmental monitoring and the operation of oxygenation plants in the Swan Canning Estuary and analysis for the Peel Integrated Water Initiative funded by Department of Biodiversity Conservation and Attractions. This revenue could not be reliably estimated at the time of budget preparation.
- The Water for Food programs were originally budgeted under the Royalties for Regions program. Subsequently the programs were transferred to Department of Primary Industries and Regional Development.

### 9.12.2 Statement of financial position variances

	Variance Note	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance 2018 (\$'000)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		10 080	5 512	(4 568)
Restricted cash and cash equivalents	6	45 056	63 985	18 929
Receivables	7	1 214	30 457	29 243
Amounts receivable for services		7 711	6 307	(1 404)
Other current assets	7	17 737	1 598	(16 139)
<b>Total current assets</b>		<b>81 798</b>	<b>107 859</b>	<b>26 061</b>
<b>Non-current assets</b>				
Restricted cash and cash equivalents		718	633	(85)
Amounts receivable for services		32 318	30 965	(1 353)
Infrastructure property, plant and equipment	8	274 245	337 523	63 278
Intangible assets		21 953	24 866	2 913
Other		59	-	(59)
<b>Total non-current assets</b>		<b>329 293</b>	<b>393 987</b>	<b>64 694</b>
<b>Total assets</b>		<b>411 091</b>	<b>501 846</b>	<b>90 755</b>



Variance Note	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance 2018 (\$'000)
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	1 503	7 559	(6 056)
Employee related provisions	19 515	19 836	(321)
Other current liabilities	1 249	354	895
<b>Total current liabilities</b>	<b>22 267</b>	<b>27 749</b>	<b>(5 482)</b>
<b>Non-current liabilities</b>			
Payables			
Employee related provisions	5 471	5 073	398
Other non-current liabilities	7	1 658	(1 651)
<b>Total non-current liabilities</b>	<b>5 478</b>	<b>6 731</b>	<b>(1 253)</b>
<b>Total liabilities</b>	<b>27 745</b>	<b>34 480</b>	<b>(6 735)</b>
<b>Net assets</b>	<b>383 346</b>	<b>467 366</b>	<b>84 020</b>
<b>Equity</b>			
Contributed equity	284 307	411 761	(127 454)
Reserves	60 500	1 305	59 195
Accumulated surplus	38 539	54 300	(15 761)
<b>Total equity</b>	<b>383 346</b>	<b>467 366</b>	<b>(84 020)</b>

### Major Estimate and Actual (2018) Variance Narratives

- Restricted cash and cash equivalents is \$19 million (42 per cent) greater than forecast. The variance is primarily due to delays in spending within the Waste Avoidance and Resource Recovery Account. This was partially offset by the transfer of Royalties for Regions Water for Food programs to the Department of Primary Industries and Regional Development and the associated restricted funds.
- On 12 June 2018, the creditors of Eclipse Resources Pty Ltd voted in favour of a proposal to pay the department a \$10 million settlement over the recovery of unpaid Waste Levies. This was subsequently received in July 2018. Further \$17 million Waste Levy accrued income was classified as other current assets within the budget.
- The revaluation process for measurement sites was not finalised at the time of 2017–18 budget estimate preparation. An unanticipated revaluation increment and consequent increase in asset values as a result of the revaluation was therefore not anticipated within the 2017–18 budget.



## 9.12.3 Statement of cash flows variances

	Variance Note	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance 2018 (\$'000)
<b>Cash flows from state government</b>				
Service appropriation		77 311	77 120	(191)
Cash transferred in	9	58 350	88 529	30 179
Capital appropriations		11 329	10 264	(1 065)
Holding account drawdown		4 622	7 354	2 732
Distributions to owner	9	(40 030)	(63 730)	(23 700)
Royalties for Regions Fund	5	17 166	8 287	(8 879)
State grants	4	-	3 835	3 835
<b>Net cash provided by state government</b>		<b>128 748</b>	<b>131 659</b>	<b>(924)</b>
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Employee benefits		(99 201)	(99 214)	(13)
Supplies and services	1	(34 672)	(28 039)	6 633
Accommodation		(10 542)	(9 699)	843
Grants and subsidies		(14 209)	(11 688)	2 521
GST payments on purchases	10	-	(8 601)	(8 601)
Other payments	10	(14 662)	(3 986)	10 676
<b>Receipts</b>				
Sale of goods and services		3 783		(3 783)
User charges and fees		23 797	24 675	878
Commonwealth grants and contributions		3 951	2 302	(1 649)
Interest received			530	530
Waste levy		76 000	73 971	(2 029)
GST receipts on sales		-	909	909
GST receipts from taxation authority		8 487	6 451	(2 036)
Other receipts		1 513	6 282	4 769
<b>Net cash provided by/(used in) operating activities</b>		<b>(55 755)</b>	<b>(46 107)</b>	<b>9 648</b>

	Variance Note	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance 2018 (\$'000)
Statement of cash flows				
<b>Cash flows from investing activities</b>				
<b>Payments</b>				
Purchase of non-current assets		(17 139)	(15 743)	1 396
<b>Receipts</b>				
Proceeds from sale of non-current assets			320	320
<b>Cash flows from investing activities</b>		<b>(17 139)</b>	<b>(15 423)</b>	<b>1 716</b>
Net increase/(decrease) in cash and cash equivalents		55 854	70 128	14 274
Cash and cash equivalents at the beginning of the period		58 350	-	58 350
<b>Cash and cash equivalents at the end of the period</b>		<b>114 204</b>	<b>70 130</b>	<b>44 074</b>

**Major Estimate and Actual (2018) Variance Narratives**

- Cash transferred in included additional funds transferred back to the Consolidated account that were not included in the original estimates.
- GST payments on purchases were budgeted under other expense payments. Hence the negative variance of this item is offset by the positive variance of other expense payments.



## 10.1 Disclosure of administered income and expenses by service

This section sets out all of the statutory disclosures regarding the financial performance of the department

	Note
Disclosure of administered income and expenses by service	10.1
Explanatory statement for administered items	10.2
Administered assets and liabilities	10.3

	Water information and advice	Water planning, allocation and optimisation	Water regulation, licensing and industry governance	Environmental regulation	Environment policy	Waste strategies	Environmental impact assessment services to the Environmental Protection Authority (EPA)	Environmental management services to the EPA	Compliance monitoring services to the Minister for Environment	General - not attributed	Total
	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)	2018 (\$'000)
<b>Income from administered items</b>											
<b>Income</b>											
For transfer:											
Regulatory fees and other charges <sup>(a)</sup>										100	100
National Partnership Payments <sup>(b)</sup>											-
<b>Total administered income</b>	-	-	-	-	-	-	-	-	-	<b>100</b>	<b>100</b>
<b>Expenses</b>											
Payments into the Consolidated account										97	97
<b>Total administered expenses</b>	-	-	-	-	-	-	-	-	-	<b>97</b>	<b>97</b>

(a) Payments into the Consolidated account included water fines collected on behalf of Water Corporation.

(b) Commonwealth grant received for National Water Infrastructure Development Fund project during the year.



## 10.2 Explanatory statement for administered items

All variances between estimates ( original budget) and actual results for 2018.

Narratives are provided for key major variances, which are generally greater than 5% and \$1 100.

	Variance Note	Estimate 2018 (\$'000)	Actual 2018 (\$'000)	Variance 2018 (\$'000)
<b>Income from administered items</b>				
<b>Income</b>				
For transfer:				
Regulatory fees and other charges	1	55	100	45
National partnership payments	2	3 770	-	(3 770)
<b>Total administered income</b>		<b>3 825</b>	<b>100</b>	<b>(3 725)</b>
<b>Expenses</b>				
Payments into the consolidated account	1	55	97	(42)
Grants & subsidies-recurrent	2	3 770	-	3 770
<b>Total administered expenses</b>		<b>3 825</b>	<b>97</b>	<b>3 728</b>

(a) Payments into the Consolidated account included water fines collected on behalf of Water Corporation, and environmental infringement regulatory fees and fines collected on behalf of government.

### Major Estimate and Actual (2018) Variance Narratives

1. Regulatory fees and other charges were greater than anticipated due to a \$50 000 Modified Penalty Notice issued in relation to environmental breaches. This in turn resulted in a higher return back into the Consolidated Account.
2. The funding agreement with Commonwealth for National Water Infrastructure Development Fund was incorrectly budgeted under the Administered Account. Subsequently it was reclassified into the Department of Water and Environmental Regulation's controlled account.

## 10.3 Administered assets and liabilities

	2018 (\$'000)
<b>Asset</b>	
<b>Current asset</b>	
Cash and cash equivalents	3
<b>Total administered current assets</b>	<b>3</b>
<b>Total administered assets</b>	<b>3</b>
<b>Liability</b>	
<b>Current liability</b>	
Payables	3
<b>Total administered current liabilities</b>	<b>3</b>
<b>Total administered liabilities</b>	<b>3</b>



## 11 Resources provided free of charge

During the period the following resources were provided to other agencies free of charge for functions outside the normal operations of the department

State Governments Departments and agencies	2018 (\$'000)
Keep Australia Beautiful Council (WA)	260
Main Roads WA	53
Other agencies	17
<b>Total resources provided free of charge</b>	<b>330</b>





# Key performance indicators

## Certification of key performance indicators

For the reporting period ended 30 June 2018

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Water and Environmental Regulation's performance, and fairly represent the performance of the Department of Water and Environmental Regulation for the reporting period ended 30 June 2018.

A handwritten signature in black ink, appearing to read 'Mike Rowe', written in a cursive style.

Mike Rowe  
Director General

Date 27 August 2018

## Outcome-based management framework

Following the Machinery of Government changes, the Department of Water, the Department of Environment Regulation and the Office of the Environmental Protection Authority were amalgamated and formed the Department of Water and Environmental Regulation (DWER) on 1 July 2017. This is the first reporting period for the department post amalgamation.

Government goal	Agency outcome	Agency services
Better places: A quality environment with liveable and affordable communities and vibrant regions.	Western Australia's growth and development is supported by the sustainable management of water resources for the long-term benefit of the state.	 1. Water information and advice
		 2. Water Planning, Allocation and Optimisation
		 3. Water Regulation, Licensing and Industry Governance.
	Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment.	 4. Environmental Regulation.
	Development and implementation of strategic policy and legislation that promoted sustainable environmental outcomes.	 5. Environmental Policy.
	Waste avoided and the recovery of materials from landfill maximised.	 6. Waste Strategies.
	Quality advice to the Environmental Protection Authority (EPA) and Minister for Environment (the Minister) on significant proposals and environmental issues.	 7. Environmental Impact Assessment Services to the EPA.
		 8. Environmental Management Services to the EPA.
	Compliance with Ministerial statement implementation conditions are monitored effectively.	 9. Compliance Monitoring Services to the Minister for Environment.

Results with significant variances of 10 per cent or more compared to the target results are explained.

# Key effectiveness indicators

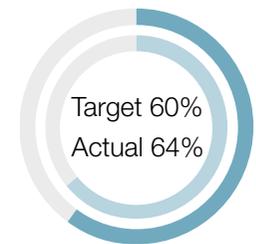
## List of indicators

### ► Key effectiveness indicators

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### 1. Proportion of stakeholders who perceive the department to be effectively managing the state's water as a resource for sustainable, productive use<sup>(a)</sup>

- <sup>(a)</sup> The 2017–18 survey results have a confidence interval of +/-4.7% at 95% confidence level. Other survey statistics include:
- Population size: 1 351 stakeholders
  - Stakeholders invited to participate: 1 351
  - Number of respondents: 326
  - Response rate: 24%



The management of the state's water resources to enable growth and development is a core objective for the department, and this occurs within the context of ensuring the sustainability of the resources and their dependent environments.

The department has many stakeholders with competing interests, including those from industry, investment, community and environmental sectors.

A survey was conducted in March 2018 with the intent to determine the extent to which stakeholders perceive the department to be effectively fulfilling the statutory and other obligations that form its core role rather than satisfaction with a particular decision or handling of a specific issue.

The indicator is based on feedback received from the stakeholders through the survey. It is calculated as a percentage of respondents answering 'Very effective' or 'Quite effective' to a question in the survey about their perception of the department effectively managing the state's water as a resource for sustainable productive use. The other options for selection included 'Neither one nor the other', 'Quite ineffective', 'Very ineffective' or 'Don't know'.



## 2. Proportion of priority growth areas that have a water supply planning strategy

In priority growth areas, the department develops a water supply plan or strategy to identify current and future water resource and supply options to meet demand for industry and population growth over the long-term. This supports the timely development of resource and supply options to meet demand in areas of state priority.

Priority growth areas are selected based on advice from an inter-agency Senior Officers Group (water supply planning). Projects included under priority growth areas have strategic significance for the state, and areas identified through the Water Supply-Demand Model as having a gap between future water demand and water availability.

The indicator is calculated as a percentage of the priority growth areas with a water supply planning strategy out of the total priority growth areas identified.

### ► Variance analysis

The result represents a total of 12 completed planning strategies against the planned 16 identified priority growth areas as part of the four year program commenced under the Department of Water in 2013–14. Of the remaining areas, Myalup-Wellington and Southern Forests irrigated agriculture investments cases could not meet the definition of a water supply strategy following the transfer of the Water for Food project to the Department of Primary Industries and Regional Development. Furthermore the Gascoyne Master Plan could not be finalised during 2017–18.



## 3. Percentage of regulatory compliance activities completed as planned

During the compliance inspection program the department identifies compliance or non-compliance with the regulatory requirements. Non-compliance is broken down into three types—administrative non-compliance, operational non-compliance and emissions.

Administrative non-compliances are technical in nature and low risk, such as a required report being submitted one day late. This will not cause an environmental impact and can usually be rectified in further through education.

Operational non-compliance can be low or medium risk, such as a crack in a retaining wall, which may not have caused an emission or discharge at present; however, it may in the future if not rectified.

If a licensee fails or repeatedly disregards licence condition, or there is an emission or discharge, enforcement action is considered in accordance with the department's compliance and enforcement policy.

The department monitors and educates licensees for the lower risk of non-compliances.

The indicator is aimed at providing assurance that the department's staff identify and work to rectify low risk non-compliance before it becomes an emission or discharge.

### ► Variance analysis

The variance between the 2017–18 Actual and the 2017–18 Target results is due to the targeting of high risk areas where the matters are often more complex and protracted than general compliance activities.





Members of the public or licenced companies can contact the Pollution Watch Hotline and inform the department of incidents where there may be a risk to the environment. The department conducts a risk assessment and may divert resources from the planned compliance program to undertake unplanned compliance inspections if the risk is considered high. The department undertook 59 unplanned inspections in the 2017–18 financial year. Unplanned inspections can be the result of the incidence of non-compliance with a lawful requirement which can result in a complex, detailed and lengthy investigation.

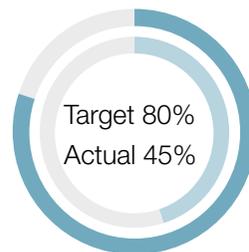
The department planned 350 inspections, of which it conducted 273. In addition, there were 59 unplanned inspections. Therefore, the department undertook 332 total inspections.

#### 4. Percentage of potential environmental risks identified during compliance monitoring program that are rectified within two months

During the compliance inspection program the department identifies compliance or non-compliance. Non-compliance is broken down into three types—administrative non-compliance, operational non-compliance and emissions.

Administrative non-compliances are technical in nature and low risk, such as a required report being submitted one day late. This will no cause an environmental impact and can usually be rectified in further through education.

Operational non-compliance can be low or medium risk, such as a crack in a retaining wall. The non-compliance has not cause an emission or discharge, but may if it is not rectified.



If a licensee fails or repeatedly disregards licence conditions, or there is an emission or discharge, enforcement action is considered in accordance with the department's compliance and enforcement policy.

#### ► Variance analysis

The variance between the 2017–18 Actual and the 2017–18 Target is due to the targeting of resources at areas of highest risk and the non-compliances identified are generally more complex and rely on third party action to become compliant.

The target was implemented on basis of previous work practices where mainly low risk and administrative issues were identified. Increased complexity of issues required a longer timespan to get parties back into compliance. Moving from non-compliance to compliance might be a simple administrative or process fix, or it might be a significant engineering upgrade to a facility that will take time.

The department has used a range of legislative notices, including Environmental Protection Notices, Vegetation Conservation Notices, Closure Notices and Prevention Notices to ensure compliance with lawful requirements is quickly restored. Once a notice is issued the department maintains contact with recipient to ensure they are undertaking the activities prescribed within the notice, and that the notice is having the desired effect.

The indicator is aimed at providing assurance that the department's staff identify and work with relevant parties to rectify issues that may affect the environment.



## 5. Percentage of advice and recommendations that met Ministerial approval, without the need for significant modification

This indicator seeks to ensure that the advice provided by the department is consistent with the government's policy direction by measuring how well it meets the Minister's expectations.



## 6. Percentage of municipal solid waste reported as diverted from landfill through recycling compared to waste strategy target in the Perth metropolitan region

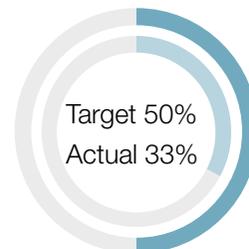
The indicator is a direct measure of the effectiveness of the government's waste management goal of diverting waste from landfill and reflects the target in the Waste Strategy.

Municipal solid waste includes construction and demolition waste generated by local governments.

Due to significant time required to gather the relevant information, 2016–17 data was used to calculate these indicators as reported in the Recycling Activity in Western Australia 2016–17 report.

### ► Variance analysis

The variance between the 2017–18 Actual and the 2017–18 Target reflects the lack of significant change in the services and infrastructure being provided by local governments to households. The majority of household waste is collected directly



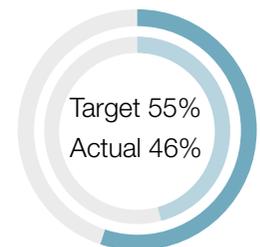
from the kerbside. In Western Australia two bin systems, on average, diverted around 20 per cent of waste from landfill in 2016–17. Three bin collection systems are capable of achieving much higher diversion rates, averaging 51 per cent landfill diversion across Western Australia in 2016–17. In 2016–17, only 17 per cent of Perth metropolitan households had a third bin. It is anticipated that the roll-out of a third kerbside bin by local governments under the Better Bins program will start to have a positive impact on performance in future years.

## 7. Percentage of commercial and industrial waste reported as diverted from landfill through recycling compared to the state-wide waste strategy target

The indicator is a direct measure of the effectiveness of the government's waste management goal of diverting waste from landfill and reflects the target in the Waste Strategy.

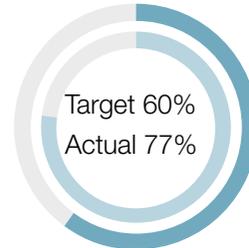
### ► Variance analysis

Increases in the waste levy rate since 2015 has increased the cost of landfilling but led to a more limited response from the industry than expected. Although organic waste already represents a significant proportion of recovered materials from the commercial and industrial stream, there are likely to be significant opportunities to improve performance against this target with increased recovery of this material type.





## 8. Percentage of construction and demolition waste reported as diverted from landfill through recycling compared to the state-wide waste strategy target

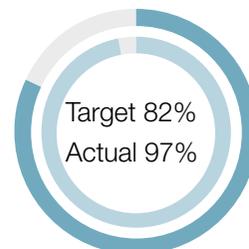


The indicator is a direct measure of the effectiveness of the government's waste management goal of diverting waste from landfill and reflects the target in the Waste Strategy.

### ► Variance analysis

The variance between the 2017–18 Actual and the 2017–18 Target is primarily due to a decrease in the total amount of construction and demolition (C&D) waste reported as being disposed of to landfill rather than an increase in the amount recycled. Scheduled increases in the waste levy since 2015 have made C&D waste landfilling more cost prohibitive. Furthermore it is likely that industry has engaged in more stockpiling of C&D waste in lieu of disposal which has contributed to the decrease in the quantity of C&D disposed of to landfill thus increasing the overall diversion rate.

## 9. The EPA's satisfaction with the department's Environmental Impact Assessment (EIA) service, during the year, in line with best practice principles of EIA



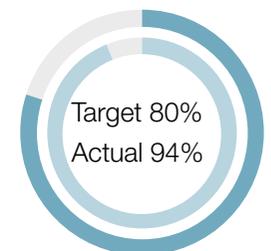
The indicator is determined through surveys of the EPA members (service recipients) who rate the quality of each service against best

practice principle (currently, the International Association for Impact Assessment's principles of EIA best practice).

### ► Variance analysis

The department strives to ensure that all advice provided to the EPA is as practical, efficient, rigorous, participative and fit for purpose as possible. In line with this goal, this year the EPA considered the EIA services provided by the department were of a very high standard, which resulted in the KPI being exceeded by more than 10 per cent.

## 10. Percentage of project-specific conditions which did not require significant change following the appeal process



The indicator assists stakeholders in ascertaining the quality of conditions recommended by the department's EIA services. The department provides periodic reports to the EPA outlining the results of the appeals process and drawing attention to significant changes to the recommended conditions. This provides an important part of the government's expectation of a 'continuous improvement loop' in the appeals process.

A significant change can be deemed as a substantial change to the form of a condition, the deletion or addition of a new condition, a substantial change to the outcome or objective specified in a condition. A substantial change to the specified requirements of an Environmental Management Plan or Environmental Monitoring Plan and a change to a prescribed action are determined on a case by case basis.



### ► Variance analysis

The department strives to ensure the conditions recommended to the EPA are as robust and comprehensive as the project requires and therefore does not require substantial change by the Office of the Appeals Convenor. In line with this goal, this year the department's recommended conditions required minimal substantial changes and therefore exceeded KPI by more than 10 per cent.

### 11. Percentage of assessments that met agreed timelines

The agreed timeline is stated in the EPA's Report and Recommendations and refers to the time between the endorsement of the scoping document and the release of the Report and Recommendations. The timeline for an assessment may vary according to the complexity of the project and are usually agreed with the proponent soon after the level of assessment is determined.

### ► Variance analysis

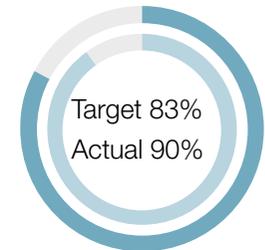
The department strives to ensure that assessments are completed in a timely manner and within the timelines published in EPA guidelines. In line with this goal, this year the department exceed the KPI by more than 10 per cent.



### 12. The EPA's satisfaction with the department's provision of environmental management services during the year

The level of quality is determined by the EPA with reference to the desirable underlying qualities of good environmental management advice. The EPA rates the quality of advice on strategic advice, statutory policies or guidelines provided by the department.

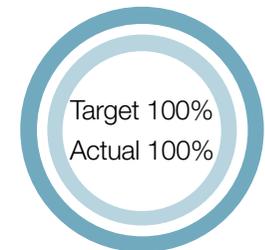
Each of the EPA members who participate in a decision rates the product on a scale of one to five (poor to excellent) and the scores of each member are averaged, combined and proportionally adjusted to a percentage. The final indicator is the average rating awarded to all environment management services endorsed by the EPA during the period.



### 13. The number of Ministerial Statements audited compared to targets

Compliance monitoring is managed through a structured annual compliance management program. The annual program sets out the number of audits to be undertaken and using a priority matrix, identifies the Ministerial Statements to be audited.

The Minister imposes conditions on proposals in order to ensure that they are managed in an environmentally acceptable manner.



## Key efficiency indicators



### Service 1

## Water information and advice

The department enables investment decisions of regional and state significance through the provision of data and information on the quantity, quality, location of, and demand for, water across the state. The information also underpins policy advice for consideration by government and supports other government agencies and stakeholders in their planning for future economic growth and urban and rural development.

### Proportion of statutory referrals from decision making authorities where advice is provided within target timeframes



Technically proficient, reliable and timely advice on the state's water resources enables effective decision-making by Decision-Making Authorities (DMAs) that directly supports growth, development and investment for the long-term benefit of the state. Decision-Making Authorities include:

- Department of Water and Environmental Regulation
- Department of Planning, Lands and Heritage
- Department of Mines, Industry Regulation and Safety
- Department of Local Government, Sports and Cultural Industries.

This includes advice about water availability; the avoidance, management and mitigation of impacts on water resources; and the protection of public drinking water sources.

This indicator represents a measure of the department's timeliness with respect to the provision of advice on various statutory referrals from DMAs. It demonstrates the efficiency with which the department is meeting statutory timeframes in providing water information and advice.

A statutory referral is a formal request for water advice from a DMA that has a statutory timeframe associated with the provision of that water advice. This indicator is calculated as a percentage of the total number of statutory referrals from DMAs to the department for advice that met the 35 business day timeframe within the period.



### Average cost per statutory referral assessment

This measure provides information on the amount of operational expenditure being used for statutory referrals that enable decisions on proposals that support the state's growth and development.

The indicator is relevant to the service because it is a directly attributable operational cost incurred in service delivery to meet the desired outcome.

An assessment is generated from both a formal request for water advice from a DMA or proponent such as under the Better Urban Water Management Framework. The indicator is calculated using the total cost of the Water Information and Advice service divided by the total number of assessments conducted within the period.

#### ► Variance analysis

The increase in Average cost per statutory referral assessment between the 2017–18 Target and 2017–18 Actual is due to the restructure, amalgamation and reformed functions of the department following the Machinery of Government changes. This initiated changes in the cost allocation methodology to appropriately allocate the cost of service against all key efficiency indicators. As the 2017–18 budgeting process was performed early during the amalgamation process, the targets reported did not take into account the revised cost allocation methodology based on which the actual KPI results have been reported.

The total number of statutory referral assessments completed during the period remained on-target.

Target \$10 273

Actual \$13 072

### Average cost per water measurement site managed

Access to reliable and current information about water resources – quantity and quality—is a core input to decision making by government and water dependent businesses that enables growth and development of the state.

Stakeholders access water information and data to support investment and business decisions. It also supports accurate water resource management decisions and advice. To service this need, the department measures or holds water data for over 116 000 ground water and surface water field sites, verifies and stores the data and makes it available as water information.

Regular or periodic field measurements are essential to maintain up to date data, and verification, storage and accessibility, are essential to make data available as reliable information.

This indicator is calculated by dividing the number of active sites by annual cost of water measurement and water information functions.

#### ► Variance analysis

The variance between the 2017–18 Actual and the 2017–18 Target results is due to the increase in number of sites measured relating to groundwater resulting from new investigations. Short term projects were undertaken in the West Canning Basin for readings from many bores that had not been read for several years contributing to the increased count of sites this year. The department undertakes a number of short notice planned projects to maintain the specific science data needs, investigations to address issues and to provide additional data for other large projects. The variable nature of measurement for many of the measurement projects can result in reasonably significant differences from year to year.

Target \$12 933

Actual \$ 8 754



## Service 2

### Water planning, allocation and optimisation

Water planning, allocation and optimisation ensures the sustainable management of water resources for the long term benefit of the state and rely on good science. This includes planning and allocating water for sustainable productive use, protecting public drinking water sources, and ensuring the sustainability of water resources and their dependent ecosystems.

#### Average cost per plan, report or guidance document to support water planning, allocation and optimisation

Target \$218 250

Actual \$417 794

Water resources need to be sustainably managed to achieve sufficient water quantity and quality for current and future needs. Increasingly precise, systematic and transparent management is predicated by science-based water allocation and optimisation plans, reports and guidance documents.

They guide and define management decisions to meet demand and avoid, mitigate or minimise unsustainable impacts on resources. With this in place sufficient good quality surface and groundwater will remain an ongoing part of future water supply for economic and population growth and the liveability of towns and cities.

Average cost is calculated by dividing the cost of the services by the total number of the following types of documents or advice produced:

#### 1. Plans

- Water allocation plan
- Drinking water source protection plan
- Statement of response to public submissions

#### 2. Plans for public comment:

- Water allocation plan for public comment
- Water source protection plan for public comment

#### 3. Technical reports

- Drinking water source protection area assessments
- Environmental water requirements reports
- Allocation limits methods report



#### 4. Guidance documents

- Water quality land use compatibility table
- Pilbara water in mining guideline
- Water allocation planning: a guide to our process
- Water quality protection notes and information sheets
- Local water licensing strategy

#### 5. Status reports including:

- Jandakot and Gngangara compliance reports
- Water allocation plan evaluations
- Drinking water source protection reviews
- State-wide planning reports (eg Water resources inventory)
- Pre-planning or implementation phase status reports
- Communication products (or sets of communication products)

#### ► Variance analysis

The variance between the 2017–18 Actual and the 2017–18 Target results is greater than expected, largely due to less documents or advice delivered than the predicted target. This reflects the changes in the complexity of the work (reprioritisation of available staff onto higher priority projects) increasing the cost per document or advice. The focus on high priority projects, such as the next Gngangara plan and government funded Water for Food projects, increased the ratio of cost per product to deliver quality work for the public in high water demand areas. There were also a number of factors that were outside of our control, leading to less documents or advice delivered:

- Cost of severances and less internal staff
- Delays in delivery of technical advice
- Delays in the approvals and communications process.

#### Average cost per hour of scientific support for water planning, allocation and optimisation

Target \$210

Actual \$196

The sustainable management of water resources for the long term benefit of the state relies on quality, contemporary water science. The indicator will enable judgement about the efficient application of the department's science capacity.

This indicator shows the average cost of providing scientific support for the achievement of water planning, allocation and optimisation outcomes.

This indicator is calculated by dividing annual cost of FTE and operational expenses by total hours worked by employees directly supporting scientific outcomes for this service.



## Service 3

### Water regulation, licensing and industry governance

Responsible, proportional regulation ensures investment, growth and development is underpinned by sustainable management of the state's water resources for the long term benefit of the state. This service includes the management of water licensing. It also includes the management of the legislation governing the operations of water service providers.

#### Average cost of assessing a water licence application by risk assessment category:

Low risk	Medium risk	High risk
Target \$ 4 790	Target \$5 551	Target \$8 571
Actual \$1 701	Actual \$14 297	Actual \$28 762

Water licenses or access entitlements are a fundamental asset for giving confidence in investment decisions. Responsible, proportional regulation gives confidence that Western Australia's water resources are being sustainably managed for the long term benefit of the state. The average cost by risk category enables judgement about the efficiency of water licence assessments by risk category.

Licensing is the main tool for sharing and allocating the state's water resources. A water licence grants a licensee an entitlement to an allocation of a particular water resource and is the regulatory tool to ensure efficient and sustainable productive use of available water.

The indicator is calculated by using the departmental cost of the water licencing service divided by the number of licence and permit applications assessed by risk category within the period.

#### ► Variance analysis

The variance between the 2017–18 Actual costs and the 2017–18 Target costs reflects a significant movement in the total number of assessments completed across the three risk categories from what was forecasted. This movement is a result of the transition to the new electronic licence assessment system

(COMPASS), which implemented an improved risk assignment methodology that more accurately reflects the actual risks posed by licence applications. Under the previous assessment system, all Licence to ‘Construct or alter well’ (CAW) and Permit applications would default to high risk, upwardly skewing the number of high risk assessments. This default risk assignment has been abandoned in the current year and CAW and Permit applications are now subject to individual risk assessments that consider several different established risk factors. This change has resulted in a significant decrease in the count of the number of high risk assessments completed during the period, and a significant increase in the count of the number of low risk assessments (many of which are CAW and Permit applications) that was not anticipated during the 2017–18 budgeting process. Going forward, the current results are considered an accurate reflection of the costs of assessing water licence applications by risk category.

**Average time taken (days) to assess a licence application by risk assessment category:**



Investment decisions by licensees, existing and prospective, are time-bound and require that applications for access to water are dealt with by the department in a timely manner. Water licenses are one of the fundamental assets that support investment decisions.

The department ensures that the level of assessment applied to an application is consistent with the risk posed should a licence be granted.

The indicator enables judgement about the department’s efficiency in decision-making about licence applications within this risk-based framework.

Licensing is the main tool for sharing and allocating the state’s water resources. A water licence grants a licensee an entitlement to an allocation of a particular water resource. Licensing application assessment times will vary according to the category level of the licence being processed. Higher risk licence applications are generally more complex and require more time to administer.

This indicator shows the average time taken to assess a licence or permit application by risk category grouping. The indicator includes applications for permits to interfere with bed and banks, licences to construct a well, licences to access water, renewal of and amendments to existing licences to access water, trades, transfers and agreements.

Risk categories for licence or permit applications guide the level of assessment that is carried out by the department based on the risk should a licence or permit be granted. Risk categories are defined as low, medium or high. Primary factors considered when assigning an assessment risk category are the volume of water being requested, how much water is available in the resource where the water is being requested and potential impact of the proposed water use on other water users and/or the environment, including cumulative impacts.

The indicator is calculated using the total time taken to assess all licence and permit applications within each risk category completed within the period. The measurement of time includes ‘stop the clock’.

‘Stop the clock’ means time measure excludes the time taken by processes outside of the department’s control. When an application process is outside of the department’s control the time taken during this process is not included when calculating assessment times. The ‘clock is stopped’ in these instances.

**► Variance analysis**

The variance between the 2017–18 Target and the 2017–18 Actual results in all risk categories reflects an overall increase in licence application processing times, generally associated with the transition to the new water licence assessment system (COMPASS). Furthermore, the new risk assignment methodology embedded within the COMPASS system now more accurately reflects the actual risk of each application.



Further, the target figure did not take into account some significant outliers within each category that would upwardly skew the final results. Removing the top 5 per cent of assessment durations within each risk category reduces the average time taken to complete assessments to 53 days, 99 days and 128 days for low, medium and high risk categories respectively.

### Average cost of compliance monitoring and enforcement action

The department relies on water usage information for accurate water resource management advice and decisions. The department's compliance monitoring of licensed use provides accurate information on actual licensed water use to ensure the sustainable management of water resources for the long term benefit of the state.

The department undertakes compliance monitoring and, where appropriate, enforcement action when licensed water use is found to be not in accordance with terms, restrictions and conditions. Compliance monitoring within a risk-based framework ensures the department fulfils its legislative requirements, while ensuring efficient and sustainable productive water use.

Investment decisions by licensees, existing and prospective, are time-bound and require that applications for access to water are dealt with by the department in a timely manner. Water licenses are one of the fundamental assets that support investment decisions.

This indicator is calculated using the departmental cost of compliance and enforcement activities divided by the number of compliance and enforcement actions undertaken by the department during the year.

Target \$576

Actual \$743

The enforcement actions include the following activities undertaken by the department when licenced water use is found inconsistent with the licencing terms, restrictions and conditions:

- Incidents of suspected non-compliance identified
- Educational letter
- Licence amendment
- Warnings, infringements or direction notice
- Prosecutions

#### ► Variance analysis

The significant increase in Average cost of compliance monitoring and enforcement action between the 2017–18 Target and 2017–18 Actual is due to the restructure, amalgamation and reformed functions of the department following the Machinery of Government changes. This initiated changes in the cost allocation methodology to appropriately allocate the cost of service against all key efficiency indicators. As the 2017–18 budgeting process was performed early during the amalgamation process, the targets reported did not take into account the revised cost allocation methodology based on which the actual KPI results have been reported.

The increased cost allocated to indicator was partially offset by an overall higher number of compliance and enforcement actions due to the incident auto-detection capability of the new compliance management system (COMPASS) which was implemented in 2017–18.



## Service 4

### Environmental Regulation

The department seeks to prevent, control and abate activities with the potential to cause pollution or environmental harm. It has adopted a risk based approach to delivering its regulatory role, which broadly fits into three main functions:

1. Approvals and licensing
2. Monitoring, audit and compliance inspections
3. Enforcement, including complaint and incident investigation.

#### Average cost per works approval and licence application

Target	\$24 263
Actual	\$55 962

#### Average cost per native vegetation clearing permit application

Target	\$7 991
Actual	\$34 405

These measures of efficiency were established to reflect the costs per regulatory for an instrument for DWER’s industry regulation and clearing regulation functions. These are considered relevant efficiency indicators as:

- They capture the primary regulatory functions of DWER
- Measure the amount of resources required to assess and determine an Industry Regulation Instrument and Clearing Regulation Instrument
- Are of interest to parties paying regulatory fees
- Are relevant to the review and determination of DWER’s regulatory fees and charges.

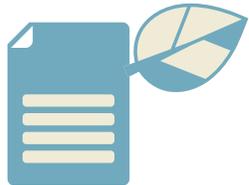
The indicators are considered relevant to the service as they can track the efficiency of the assessment of regulatory instruments over time and provide a simple metric for users of DWER’s Budget Statements and Annual Report.

The indicator is calculated by dividing the total group costs deemed relevant to the agency activity of carrying out and administering the function of Works Approvals and Licence—being Applications Assessment and decision-making on works approval and licence applications under Part V Division 3 of the *Environmental Protection Act 1986* by the number of Work Approvals, Licences, Licence Renewals and Amendments Received to provide the average cost.

#### ► Variance analysis

The significant increase in Average cost per works approval and licence application and Average cost per native vegetation clearing permit application between the 2017–18 Target and 2017–18 Actual is due to the restructure, amalgamation and reformed functions of the department following the Machinery of Government changes. This initiated changes in the cost allocation methodology to appropriately allocate the cost of service against all key efficiency indicators. As the 2017–18 budgeting process was performed early during the amalgamation process, the targets reported did not take into account the revised cost allocation methodology based on which the actual KPI results have been reported.

Environmental regulation is currently addressing a significant backlog in applications for clearing permits, works approval and licences which has limited the number of applications that could be processed. This resulted in fewer being processed in 2017–18 than targeted. The recent proposal to increase fees in clearing regulation fees should fund extra positions to address the timeliness of decision making.



## Service 5

### Environmental policy

Develop and implement policies and strategies that promote environmental outcomes.

#### Average cost per hour of policy advice and recommendations

This measure of efficiency was established to reflect the cost per hour of policy advice. This is considered a relevant efficiency indicator as:

- It captures a significant function of DWER
- It measures the amount of resources required to develop and implement policies and strategies
- It is of interest as it shows the cost of policy development
- Is relevant to the use of funds being expended to develop and implement strategic policy and legislation that promotes sustainable environmental outcomes.

The indicator is relevant to this service as they can track the efficiency of the policy development and implementation over time and provide a simple metric for users of department's Budget Statements and Annual Report.

The indicator is calculated by totalling the functional group costs associated with agency activity of carrying out and administering the function of providing policy advice and recommendations. The advice and recommendations mainly relate to the development, review and amendment of

Target	\$107
<hr/>	
Actual	\$89

environmental policy, national policy, primary and subsidiary legislation, and environmental programs, providing advice to the Minister/s and the government in relation to legislation administration. The total number of available FTE hours for the services are divided into the costs to provide an average cost per hour of policy advice and recommendations.

#### ► Variance analysis

The significant decrease in Average cost per hour of policy advice and recommendations between the 2017–18 Target and 2017–18 Actual is due to the restructure, amalgamation and reformed functions of the department following the Machinery of Government changes. This initiated changes in the cost allocation methodology to appropriately allocate the cost of service against all key efficiency indicators. As the 2017–18 budgeting process was performed early during the amalgamation process, the targets reported did not take into account the revised cost allocation methodology based on which the actual KPI results have been reported.

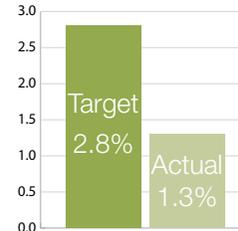


## Service 6

### Waste strategies

Waste avoided and the recovery of materials from landfill maximised.

#### Cost of landfill levy compliance as a percentage of landfill levy income collected



This measure of efficiency was established to reflect the cost of levy compliance as a percentage of the landfill levy income collected. This is considered a relevant efficiency indicator as:

- It measures the amount of resources applied to the waste avoidance strategies and landfill diversion strategies
- Are of interest as they show the cost of managing the waste strategies, and
- Are relevant to the use of funds being expended to develop and implement strategic policy and legislation that promotes sustainable environmental outcomes.

The indicator is relevant to the service as it can track the efficiency of managing the waste strategies, and provides a simple metric for users of the department's Budget Statements and Annual Report.

The cost of landfill levy compliance as a percentage of landfill levy income collected is determined by totalling those functional group costs deemed relevant to the department's activity of carrying out and administering the function of providing

landfill levy compliance – being the administration of the landfill levy returns, auditing of those returns, processing of exemptions and undertaking inspections at a range of waste facilities and carrying out unauthorised waste activity investigations. The indicator is calculated by dividing the cost of levy compliance by the amount of landfill levy income collected for the year.

#### ► Variance analysis

The variance between the 2017–18 Actual and the 2017–18 Target results is due to a structural change. The Department of Water and Environmental Regulation commenced operation 1 July 2017. The commencement of the new department was an ideal time to review and refine structures, operating methods and systems. The Compliance and Enforcement directorate has amended its structure with the creation of a Waste Operations branch, which comprises landfill levy compliance and investigation, illegal dumping investigation, and littering investigation. The change has resulted in a focused team now dedicated to monitoring and investigating compliance with landfill levy obligations, whereas the activity was previously spread across the directorate and calculated as a percentage of each member's time within the directorate. The change provides for a more accurate reflection of the resources focused on and dedicated to this activity. In addition, the overall percentage has been affected by vacancies within the focused teams that provide the relevant activities.



## Service 7

### Environmental impact assessment services to the EPA

Conduct, for the EPA, environmental impact assessments of significant proposals and schemes.

#### Cost per standardised unit of assessment output

Target	\$23 513
Actual	\$34 681

While the variation in assessment complexity is reflected in the level of assessment set, a number of other factors affect how complex a proposal is to assess. To account for this range in difficulty, each assessment completed is assigned a weighting.

The difficulty often influences the amount of time spent dealing with a proposal, the complexity weightings were allocated and trialed, in consultation with experienced officers, according to inherent proposal characteristics that cause a proposal to be more difficult rather than what causes an assessment to take more time to complete. This ensures that the indicator measures the efficiency of the department’s provision of EIA advice to the EPA rather than the department’s cost per hour. The total complexity is calculated by summing the individual complexities allocated to each assessment according to their inherent characteristics.

The cost per standardised unit of assessment output is calculated by dividing the total cost

of assessments (including an allocation of post approval costs and a portion of costs for policy and administrative support) by the total complexity weighting of assessments completed during the financial year.

The total cost of assessments is calculated by adding the costs allocated to the cost centre plus a portion of on-costs.

#### ► Variance analysis

The increase in Cost per standardised unit of assessment output between the 2017–18 Target and the 2017–18 Actual is also mainly due to a reduction in complex proposals and changes to the cost allocation basis. A reduction in the complexity of proposals and schemes led to a lower weighting being assigned as per the established methodology and therefore higher costs per standardised unit of assessment.



## Service 8

### Environmental management services to the EPA

Develop, for the EPA, statutory policies, guidelines and strategic advice to manage environmental impacts and protect the environment.

#### Cost per standardised unit of environmental management services output

Target	\$26 790
Actual	\$31 377

Due to the variation in complexity of environmental management services provided, an average cost per piece of advice provided would not fairly represent the department’s efficiency in providing such advice to the EPA. In fact, such a measure could provide a perverse incentive to produce many straightforward pieces of advice rather than tackling more complex issues that are more difficult to investigate. To account for this range in difficulty, each assessment completed is assigned a weighting.

The difficulty often influences the amount of time spent investigating a matter, the complexity weightings were allocated, in consultation with experienced officers, according to inherent characteristics that cause a piece of environmental management advice to be more difficult rather than what causes it to take more time to complete. This ensures that the indicator measures the efficiency of the department’s provision of environmental

management advice to the EPA rather than the department’s cost per hour.

The Cost per standardised unit of environmental management services output is calculated by dividing the total cost of environmental management services (including an allocation of administrative support) by the total complexity weighting of environmental management services endorsed during the period.

The total cost of environmental management services is calculated by adding the costs allocated to the cost centre plus a portion of on-costs.

#### ► Variance analysis

The increase in the Cost per standardised unit of environment management services output between the 2017–18 Target and the 2017–18 Actual is mainly due to changes to the cost base as the department has restructured, amalgamated and reformed functions following the Machinery of Government changes. The level of assessment output over this period was consistent with the 2017–18 Target.



## Service 9

### Compliance monitoring services to the Minister

Audit the compliance with conditions set under Ministerial approvals and undertake enforcement action as appropriate.

#### Average cost per environmental audit completed

Target \$39 846

Actual \$18 069

The indicator is calculated by dividing the total cost (including an allocation of administrative overheads) allocated to compliance monitoring services by the total number of audits (not including desktop scans) completed during the period.

#### ► Variance analysis

The reduction in the Average cost per environmental audit completed between the 2017–18 Target and the 2018–19 Actual is mainly due to the impact of changes to the cost allocation basis as the department has restructured, amalgamated and reformed functions following the Machinery of Government changes. The number of environmental audits completed over this period was consistent with the 2017–18 target.



# Ministerial directives

There were no Ministerial directives in 2017–18.

# Other financial disclosures

## Pricing policies of services provided

Through a service agreement with the Commonwealth, the department provided technical services to the Indian Ocean Territories of Christmas and the Cocos (Keeling) Islands. These services differentiate between water services and environmental services.

The water services are related to policy advice, as well as planning, assessment, allocation and protection of groundwater resources. The environmental services are related to environmental regulation, environmental policy, waste policy and programs, and response to pollution incidents.

Services are provided on a cost-recovery basis which includes the incurred salary and operational costs plus on-costs calculated at the rate specified by the Department of Infrastructure, Regional Development and Cities.

The department charges fees for industry licensing arrangements on a cost-recovery basis.

These licencing arrangements include assessment and decision-making on works approvals and licence applications, administration of licences, inspection and auditing of licenced premises, compliance and enforcement action and specialist technical services which support these processes.

## Capital works

The department's capital works consisted of asset replacement programs and new projects.

The ongoing asset replacement program includes installing, replacing and upgrading groundwater monitoring bores and river gauging stations throughout the state and an asset replacement program associated with computer hardware and office equipment.

New projects in 2017–18 included further investment in the groundwater investigation and monitoring bore program across the state. We also refurbished the 90-year-old Kent Street Weir historical structure.

# Governance disclosures

## Executive recruitment

No executive recruitment occurred during the fiscal year.

### Unauthorised use of credit cards

	2017-18 \$
Aggregate amount of personal use expenditure for the reporting period	720.50
Aggregate amount of personal use expenditure settled by the due date (within five working days)	464.94
Aggregate amount of personal use expenditure settled after the period (after five working days)	255.56
Aggregate amount of personal use expenditure outstanding at balance date	14.40

These matters were not referred for disciplinary actions as the Chief Finance Officer assessed these were characteristic of an honest mistake, noting prompt settlement of the personal use amount and that the nature of the expenditure was immaterial.

## Government building contracts

The department has a commitment to the *Government building training policy*. During 2017-18 the department altered prospective tender documentation and developed a monitoring plan for building and construction or maintenance projects with a duration of greater than three months, a value of greater than \$2 million and tendered after 1 October 2015.

At the balance date, no contracts subject to the *Government building training policy* had been awarded.

Organisation type	Building and Construction projects 2017-18	Maintenance projects 2017-18
Active contracts within the scope of the policy in the reporting period	-	-
Contracts granted a variation to the target training rate in the reporting period	-	-
Head contractors involved in the contracts	-	-
Construction apprentices/trainees required to meet target training rate across all contracts	-	-
Construction apprentices/trainees employed by head contractors and the subcontractors they are using for the contracts	-	-
Contracts which met or exceeded the target training rate	-	-



## Boards and committee remuneration

All remuneration paid by the Department of Water and Environmental Regulation during 2017–18 to positions on boards and committees is summarised in the table below.

Board	Position	Member name	Type of remuneration	Period of membership	Gross/actual remuneration (\$)
Carnarvon Water Allocation Advisory Committee	Member	Lesley George	Sitting fee	01/07/17–30/06/18	Nil
	Member	Terence Fitzgerald	Sitting fee	01/07/17–30/06/18	Nil
	Member	Domenico Condo	Sitting fee	01/07/17–30/06/18	550
	Member	Christopher Boston	Sitting fee	01/07/17–30/06/18	660
	Member	Edward Smith	Sitting fee	01/07/17–30/06/18	660
	Member	Kim Nguyen	Sitting fee	01/07/17–30/06/18	Nil
	Member	Danny Latimer	Not eligible for remuneration	01/07/17–30/06/18	Nil
Geographic Catchment Council	Chair	Bernie Masters	No longer		Nil
	Member	Nikolaus Sellheim	Sitting fee	01/07/17–30/06/18	1232
	Member	Julie Howes	Sitting fee	01/07/17–30/06/18	1408
	Member	Geoffery Oddy	Sitting fee	01/07/17–30/06/18	1232
	Member	David Kemp	Sitting fee	01/07/17–30/06/18	1056
	Member	Jeffry Falconer	Sitting fee	01/07/17–30/06/18	528
	Member	Coralie Tarbotton	Sitting fee	01/07/17–30/06/18	1056
	Member	Joanne Hoyes	Sitting fee	01/07/17–30/06/18	880
	Chair	Christopher Adams	Annual	01/07/17–30/06/18	7099
	Member	William Hosken	Sitting fee	01/07/17–30/06/18	3182
	Member	Brian Hearne	Sitting fee	01/07/17–30/06/18	1408
	Member	Felicity Bradshaw	Sitting fee	01/07/17–30/06/18	1232



Board	Position	Member name	Type of remuneration	Period of membership	Gross/actual remuneration (\$)
Warren Donnelly Water Advisory Committee	Member DPIRD	Peta Richards		Term at discretion of organisation	Nil
	Member	Harvey Giblett	End 25/05/2018	01/07/17–25/05/18	Nil
	Member	Cliff Winfield	Sitting fee for 27/06/17	01/07/17–30/06/18	110
	Member	Bob Pessotto		01/07/17–30/06/18	Nil
	Member	Dianne Fry	Sitting fee	01/07/17–30/06/18	Nil
	Member	John Omodei	Sitting fee	01/07/17–30/06/18	110
	Member, Shire Rep	Paul Omodei		01/07/17–30/06/18	Nil
	Member	Travis Luzney	Sitting fee 27/06/17 End 25/05/17		110
	Member	Bill Rice	Sitting fee 27/06/17 End 25/05/17		110
	Member, WCC	Julian Sharp		Term at discretion of organisation	Nil
Environmental Protection Authority	Chair	Dr Tom Hatton	Annual	01/07/2017–30/06/2018	332 035
	Deputy Chair	Robert Harvey	Annual	01/07/2017–30/06/2018	92 617
	Member	Elizabeth Carr	Annual	01/07/2017–30/06/2018	46 836
	Member	Glen McLeod	Annual	01/07/2017–30/06/2018	46 836
	Member	Jim Limerick	Annual	01/07/2017 – 30/06/2018	46 836
Waste Authority Committee	Chair	Marcus Geisler	Annual	01/07/2017–30/06/2018	40 974
	Deputy Chair	Jenny Bloom	Annual	01/07/2017–30/06/2018	25 483
	Member	Neil Foley	Sitting fee	01/07/2017–30/06/2018	20 409
	Member	Victoria Bond	Sitting fee	01/07/2017–30/06/2018	20 410
	Member	Glen McLeod	Sitting fee	01/07/2017–30/06/2018	20 425



Board	Position	Member name	Type of remuneration	Period of membership	Gross/actual remuneration (\$)
Contaminated Sites Committee	Chair	Jim Malcolm	Annual	01/07/2017–30/06/2018	69 649
	Member	Warren Dodge	Sitting fee	01/07/2017–30/06/2018	6426
	Member	Anthony Jarvis	Sitting fee	01/07/2017–30/06/2018	5712
	Member	Michael Hardy	Sitting fee	01/07/2017–30/06/2018	5712
	Member	Jeremy Hogben	Sitting fee	01/07/2017–30/06/2018	4998
Cockburn Sound Management Council	Chair	Kateryna Longley	Sitting fee	01/07/2017 – 30/06/2018	24 521
<b>Total</b>					<b>832 552</b>

# Other legal requirements

## Expenditure on advertising, market research, polling and direct mail

In accordance with section 175ZE of the *Electoral Act 1907*, the department incurred the following expenditure in advertising, market research, polling, direct mail and media advertising. Total expenditure for 2017–18 was \$503 587.41 (excluding GST).

Expenditure was incurred in the following areas:

Expenditure type	Total	Expenditure paid to	Amount
Advertising agencies	\$ 4707.44	AdCorp Australia	\$ 4707.44
Market research organisations	Nil		Nil
Polling organisations	Nil		Nil
Direct mail organisations	Nil		Nil
Media advertising organisations	\$ 498,879.97	AdCorp Australia	\$ 70 322.64
		Optimum Media Decisions (WA)	\$ 426 239.15
		AAS website	\$ 425.00
		Facebook	\$ 1788.18
		Independent & general media	\$ 105.00
<b>Total</b>	<b>\$503 587.41</b>		<b>\$503 587.41</b>

## Disability access and inclusion

In line with the department's value, 'Better together', the department recognises that people with a disability, their families and carers, have the same rights as other members of the community to access employment and services, information and facilities, and to participate in community consultation processes.

In 2017–18, as part of our workforce and diversity planning, we established the Equity and Diversity Panel. Chaired by a member of the Corporate Executive with representation drawn from across the agency, the group met six times throughout 2017–18.

With guidance from the panel, the department endorsed its first five-year *Disability access and inclusion plan* in June 2018. In addition, the panel developed a diversity inclusion statement, which commits us to a fair and inclusive workplace that encourages and supports employees to reach their full potential.

In 2017–18, the panel focused on:

- diversity in leadership
- promoting and supporting flexible working arrangements
- developing quarterly reporting on the department's equity index.

## Public sector standards and ethical codes

One claim of a breach of the Western Australian Public Sector Standards in Human Resources (Employment Standard) was lodged.

## Record-keeping

The department complies with Section 61 of the *State Records Act 2000*, and reports in accordance with the State Records Commission's standard 2 (principle 6).

In 2017–18 our record-keeping plan was approved by the State Records Commission in accordance with the *State Records Act 2000*. Activities undertaken this year included the continued identification and assessment of records from legacy agencies.

HP Records Manager was the selected records management system for managing records for the former three agencies. A records migration process has been initiated and will be completed by the end of 2018.

The training modules focused on effective work practices such as saving emails into HP Records Manager, rather than describing all the platform's capabilities.

Staff training was also provided to regional offices and is supported by a comprehensive HP Records Manager manual (available on our intranet).

With the anticipated move to Joondalup we are taking the opportunity to go 'paper-lite',

with awareness initiatives communicated and implemented by staff over the year.

Our focus has been on working with business areas to ensure physical records are captured appropriately according to State Records requirements and sent off-site.

# Government policy requirements

## Substantive equality

The department is committed to implementing substantive equality measures and strives to make its services available to all Western Australians in a form that meets individual needs.

We deliver this by ensuring our processes associated with water and environmental management and planning practices are developed with input from public and stakeholder engagement, as well as broad public invitations to comment on draft documents.

The Equity and Diversity Panel has oversight of the development and implementation of an equity framework which integrates substantive equality strategies.

Our first draft *Reconciliation action plan* will commit the department to continuing to build sustainable relationships with the Aboriginal community.

The Reconciliation Action Plan Working Group contributed to the development of the statement in the department's *Strategic plan 2018–21*, in which we acknowledge the traditional custodians of the land upon which we live and work, and pay our respects to their elders past, present and emerging.

Our *Disability access and inclusion plan* provides the framework for universally inclusive access.

Progress in coordinating the effort to implement substantive equality is overseen by the Chief Human Resource Officer and the Executive Director Regional Services, who chairs the Equity and Diversity Panel.

## Providing safe spaces

The department understands that family and domestic violence is a complex issue within our society and recognises the adverse impact it can have on our employees and therefore fully supports the government safe spaces initiative. We acknowledge there is a strong need to provide affected employees with the appropriate levels of support, as and when required.

In November 2017, we opened our 16 Days of Activism program by having Angela Hartwich, CEO of Women's Council, present to staff and launch the Safe Spaces and Family and Domestic Violence leave initiatives. We also engaged in additional support services of one of our Employee Assistance Provider, by including a specialist domestic violence support line that is available for all staff.

We have also run information sessions that educated staff on domestic violence matters and how to recognise and provide support for those affected, in a dignified and respectful way.

## Occupational safety, health and injury management

A consultation system has been established that includes an Occupational Safety and Health (OSH) Steering Committee, OSH Reference Group, area committees and safety and health representatives. These groups focus on the continuous improvement of OSH systems, processes and performance, workplace safety and risk and hazard awareness.

The OSH committees, including employee representatives, are integral to OSH consultation within the agency. The locations and details of the safety and health representatives are given to all employees.

The OSH Steering Committee and OSH Reference Group meet quarterly while local area OSH committees meet more frequently to discuss and resolve OSH issues and review hazard and incident reports. The OSH Steering Committee is responsible for ensuring the OSH action plan is implemented and meeting its targets.

### Commitment to return employees back to work after injury

To address any workplace injuries that occur, the department established a *Workers' compensation*

*and injury management policy* and process guidelines to help injured employees to return to work as soon as medically appropriate.

The system ensures injury management intervention occurs promptly and effectively, so injured employees can remain, or return to work at the earliest possible time. The injury management system and return to work programs are compliant with the requirements of the *Workers' Compensation and Injury Management Act 1981* and have been reviewed and approved by RiskCover, the department's insurer.

### Support of safety and health representatives and increasing staff awareness of the occupational health and safety system

In late 2017, the department trained six new safety and health representatives, with training conducted centrally for all representatives through a recognised provider.

Our flagship occupational safety and health training program known as *OSHtober* provides an annual program of communication and awareness raising 'lunch and learn' events for the department.

In 2017, the department coordinated a comprehensive and well-promoted *OSHtober* program which:

- promoted the consultation and review of the department's OSH policy
- developed a program of work that focused specifically on field work
- featured information and educational material on risk factors affecting field work safety
- released the department's *Remote and lone working policy and procedures*.

### Performance

Performance against the targets set in the Public Sector Commissioner's Circular: *2012–05 Code of practice occupational safety and health in the WA public sector* (the 'code') is demonstrated below.

### Safety health and injury management performance reporting

#### 1. Occupational safety, health and injury management

In accordance with the code the department complies with the requirements of the *Occupational Safety and Health Act 1984*, the *Workers' Compensation and Injury Management Act 1981* and the Code of practice: *Occupational safety and health in the Western Australian public sector*.

## 2. Commitment to employees

The department recognises that its strength is in the work of its many dedicated employees and is committed to those employees by providing a safe and healthy workplace. The agency's executive team fully supports the department's OSH management system to ensure all employees of the department have a safe and healthy workplace.

Through the department's *Occupational safety and health policy* statement, updated in 2018, it ensures, so far as is practicable, employees, contractors, volunteers and others working with the department are protected from harm while at work. This goal is achieved through the implementation of the department's OSH management system.

These and other associated documents and forms are available to employees on the department's intranet site. The communication of workplace safety and health information is outlined within an OSH communication plan which outlines the:

- type and frequency of governance body and OSH committee meetings
- methods of communication used by the department to inform, update and educate staff on workplace health and safety matters
- list of regularly scheduled events supporting workplace health and safety.

## 3. Mechanism for consultation with employees

The primary mechanism for consultation with employees occurs through local area OSH committees and representatives feeding into a central reference group and the OSH Steering Committee.

The department has an incident management reporting system in place that clearly articulates notification protocols and escalation points.

Recognising the need to be flexible, mobile and inclusive with its engagement of field and telecommuting staff, the department also uses the social media platform 'Yammer' as a further communication and consultation mechanism.

This online platform provides another method for the department to ensure effective and inclusive engagement with staff for their feedback on department policy and procedures, as well as updating and announcing events occurring in the department's *Safety and Well-being space*.

## 4. Assessment of the occupational safety and health system

The department was unable to undertake an audit of its systems last year as originally scheduled due to the impact of the Machinery of Government

changes. This is now a priority for completion in 2018–19 with the body of work programmed to begin in October 2018.

The OSH management system is monitored for continuous improvement, and revised to reflect the harmonisation of state and federal work health and safety legislation, as it comes into effect.

## 5. Manager and supervisor training in occupational safety, health and injury management responsibilities

Managers are trained in occupational safety and health through use of the department's learning management system. Training modules cover all aspects including the OSH legal framework, duty of care, hazard and risk management, incident management, OSH training and injury management and return to work programs.

The department requires all managers and supervisors to complete this training every two years and achieve a pass mark of 80 per cent. The department achieved a success rate in 2016–17 of 84.25 per cent with scheduled retraining to take place in the 2018–19 financial year.

## 6. Performance

The department's performance against the targets set in the government circular is demonstrated below.

### Safety health and injury management performance reporting

Measure	Actual results (%)		Results against target	Comment on result
	2016–17	2017–18		
Number of fatalities	0	0	0	Target achieved
Lost time injury and/or disease incidence rate	0.23	0.129	0 or 10% Reduction	Target achieved
Lost time injury and/or disease severity rate	0	0	0 or 10% Reduction	Target achieved
Percentage of injured workers returned to work:				
(i) within 13 weeks	100	100		Target achieved
(ii) within 26 weeks	N/A	N/A	Greater than or equal to 80%	Target achieved
Percentage of managers trained in occupational safety, health and injury management responsibilities (every second financial year)	84.25	89.89	Greater than or equal to 80%	Target achieved

### Freedom of information

In accordance with Section 10 of the *Freedom of Information Act 1992*, a person has a right to be given access to documents of an agency subject to and in accordance with this Act.

It is our commitment to make information available as soon as possible and at the least possible cost.

For the 2017–18 period, we received a total of 268 freedom of information applications and of these, five applications progressed to an internal review and two to external review with the Office of the Information Commissioner.

# Shortened forms

Term	Definition
<b>AAS</b>	Australian Accounting Standards
<b>AELERT</b>	Australasian Environmental Law Enforcement and Regulators neTwork
<b>CaLD</b>	Culturally and linguistically diverse backgrounds
<b>CSIRO</b>	Commonwealth Scientific and Industrial Research Organisation
<b>DMIRS</b>	Department of Mines, Industry Regulation and Safety
<b>DPLH</b>	Department of Planning, Lands and Heritage
<b>DWER</b>	Department of Water and Environmental Regulation
<b>EPA</b>	Environmental Protection Authority
<b>EPN</b>	Environmental Protection Notice
<b>FTE</b>	Full-time equivalent
<b>GIS</b>	Geographic information system
<b>IBSA</b>	Index of Biodiversity Surveys for Assessments
<b>IDAHOBIT</b>	International Day Against Homophobia, Biphobia and Transphobia
<b>LiDAR</b>	Light Detecting and Ranging
<b>MLA</b>	Member of the Legislative Assembly
<b>MLC</b>	Member of the Legislative Council
<b>MNA</b>	Monitored natural attenuation

Term	Definition
<b>NABERS</b>	National Australian Built Environment Rating System
<b>NAIDOC</b>	National Aborigines and Islanders Day Observance Committee
<b>NEPM</b>	National Environment Protection Measure
<b>NPI</b>	National Pollutant Inventory
<b>NRM</b>	Natural resource management
<b>OSH</b>	Occupational Safety and Health
<b>PFAS</b>	Per- and poly-fluoroalkyl substances
<b>PFOS</b>	Perfluorooctane sulfonate-related chemicals
<b>RAPID</b>	Remote Air Pollution Infrared Detector
<b>SAPPR</b>	Strategic Assessment of Perth and Peel Regions
<b>SES</b>	Senior Executive Service
<b>TI</b>	Treasurer's Instructions
<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>WALGA</b>	Western Australian Local Government Association
<b>WARR</b>	Waste Avoidance and Resource Recovery
<b>WASC</b>	Supreme Court of Western Australia
<b>WSS</b>	WestState Superannuation Scheme

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# Feedback form

Feedback from the 2017–18 Department of Water and Environmental Regulation annual report will be used to help improve the clarity and presentation of its publications. Your assistance in completing this form would therefore be greatly appreciated.

Did the report help you understand the department, its purpose, services and performance?

not at all | not really | somewhat | yes | absolutely

Did you find the design and presentation functional and effective?

not at all | not really | somewhat | yes | absolutely

Was the report clear, concise and easy to read?

not at all | not really | somewhat | yes | absolutely

Did you find the structural format of the report simple and logical?

not at all | not really | somewhat | yes | absolutely

## When completed please return to:

### Corporate Communications

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168 St Georges Terrace, Perth WA 6000  
Or email: [Annual.Report@dwer.wa.gov.au](mailto:Annual.Report@dwer.wa.gov.au)

Please send your comments by  
5.00 pm, 3 December 2018



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